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Men at the sharp end threaten bullring strike

By Tom Burns in Madrid

With a week to go before the start of Spain's *corrida* season, a row between bull breeders and bureaucrats threatens to lock the *aficionados* out of the bullring.

Breeders, matadors and the impresarios who stage the fights have threatened to strike over a complex dispute about the practice of shaving bulls' horns – but the row is really about who is boss in the bullfighting business. "For the first time in history there could be no season at all," Mr José María Baviano of CAPT, an umbrella organisation that represents the groups, said yesterday. "We will simply not participate and there won't be any *corridas*."

Nobody seriously believes this, for bullfighting is too big a business. There were nearly 2,000 *corridas* last season generating an estimated turnover of Pta200bn ($1.4bn), and indirect employment for about 150,000. But the confrontation is real enough and an unprecedented delay to the start of the season is possible.

The CAPT, which has only recently brought together all the main players in the *corrido*, wants to wrest control over the spectacle from the interior ministry. The ministry literally polices the *corrida*, as it is the local police chief who traditionally presides over a bullfight.

The horn issue is vital, because the bull knows exactly how long his defences are, just as a boxer knows the reach of his punch. When horns are shaved, they look just as sharp but the danger of a goring is reduced.

The interior ministry wants the real thing – untampered horns and mortal danger. Matadors, who understandably reckon that grace under pressure has its limits, prefer shaved horns, and breeders are happy to comply because star bullfighters can pick from the ranches signed up by the impresarios. The issue has come into the open because the ministry has banned the previously tolerated practice of shaving splintered horns (often caused when bulls ram their pens before the fight) and has insisted all suspect horns be examined by vets after the bull is dead.

"We're open to dialogue but those are the rules and they are there to be kept," said Ms María Angeles Morejón, an interior ministry official.

Last season, two leading breeders were charged with horn-shaving and banned for three months from selling their bulls to the ring. "It's the equivalent of shutting down your factory," said Mr Baviano.

"The ministry is ignorant about bullfighting and it's time the professionals who know about the business were left to organise it themselves.

"Officialdom panders to crazy purists who want matadors to take on mammoths. We want to modernise the *corrida*, they want Jurassic Park."

Israel to go ahead with settlement in east Jerusalem

Israel approved the building of a Jewish settlement in Har Homa, east Jerusalem, a move which could derail the peace process and lead to further unrest by Palestinians. UK foreign secretary Malcolm Rifkind said settlement building in occupied territory was against international law. Earlier, Faisal al-Husseini, senior PLO official in Jerusalem, visited the Knesset (above) and stood before a portrait of assassinated Israeli prime minister Yitzhak Rabin to appeal for the settlement to be rejected. Page 5

Brussels rejects farm budget plan: The European Union's farm lobby suffered a rare defeat when the European Commission rejected budget targets put forward by agriculture commissioner Franz Fischler. Page 2

French carmakers' plea rejected: The French government rejected calls from carmakers Renault and Peugeot Citroën to help fund plans to cut thousands of jobs and reduce the average age of employees through early retirement. Page 2

ABN Amro director quits: Louis de Bièvre, head of investment banking at ABN Amro, one of Europe's largest banks, was forced to resign after concealing for up to five years his implication in an insider dealing case. Page 2

Swiss approve holocaust fund: The Swiss government approved a fund to compensate Holocaust victims that gives world Jewish groups a big voice in how the money is distributed. Page 3

Sumitomo chairman resigns: Tomiichi Akiyama resigned as chairman of Sumitomo Corporation, taking responsibility for the huge losses the company incurred through fraudulent copper dealings by former trader Yasuo Hamanaka. Page 12

Elf Aquitaine lifts dividend: Elf Aquitaine, France's biggest industrial company, is to raise its dividend for the first time in five years. It reported a 38 per cent increase in annual profits to FFr6.98bn ($1.2bn), helped by buoyant oil prices. Page 13; Lex, Page 12

Tokyo to set up financial watchdog: A supervisory agency independent of the finance ministry is to be set up by the Japanese government to police the financial sector as part of the biggest reform of financial rules in 50 years. Page 12

Philip Morris plans shares buy-back: US tobacco and food group Philip Morris said it planned to buy back $8bn-worth of its shares and split its stock. Page 13

Pharmacia & Upjohn moves ahead: Swedish-US drugs group Pharmacia & Upjohn reported a jump in earnings in the fourth quarter as restructuring costs from the merger that created the company in 1995 declined and sales rose faster than expected. Page 13; Lex, Page 12

News Corp to sell $800m assets: Rupert Murdoch's News Corporation plans to sell $800m of assets to help fund the company's satellite television expansion around the world. Page 13

Oji Paper to cut jobs: Oji Paper, Japan's largest paper company, is to cut its 12,600-strong workforce by up to 20 per cent to reduce costs and increase its international competitiveness. Page 18

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STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	6,946.62	(-91.59)
NASDAQ Composite	1,336.29	(-15.4)
Europe and Far East		
CAC40	2,602.17	(-5.55)
DAX	3,237.87	(+4.66)
FTSE 100	4,320.3	(-15.4)
Nikkei	18,680.92	(-79.15)

US LUNCHTIME RATES

Federal Funds	5⅛%
3-mth Treas Bills: Yld	5.186%
Long Bond	98⅜
Yield	6.749%

OTHER RATES

UK: 3-mo Interbank	6⅛%	(same)
UK: 10 yr Gilt	101⅞	(102⅛)
France: 10 yr OAT	108.24	(108.52)
Germany: 10 yr Bond	103.04	(103.39)
Japan: 10 yr JGB	104.4585	(104.2727)

NORTH SEA OIL (Argus)

Brent Dated	$19.79	(20.16)

GOLD

New York: Comex		
	$358	(358.1)
London:		
close	$353.95	(354.05)

DOLLAR

New York: lunchtime		
£	1.6325	
DM	1.68275	
FFr	5.7045	
SFr	1.4813	
Y	122.575	
London:		
£	1.6339	(1.6342)
DM	1.688	(1.6758)
FFr	5.6882	(5.6526)
SFr	1.4781	(1.4625)
Y	122.06	(121.985)
Tokyo close:	Y 121.55	

STERLING

DM	2.7597	(2.7386)

Federal Reserve chairman's interest rate hint unsettles markets

Greenspan warns over continuing share surge

By Gerard Baker in Washington

Mr Alan Greenspan, the chairman of the Federal Reserve, yesterday sent another strong signal to financial markets that the US central bank was increasingly concerned about the impact on the economy of the continuing surge in equity prices.

In his semi-annual Humphrey-Hawkins testimony to the US Senate on the conduct of the Fed's monetary policy, Mr Greenspan cautioned against over-optimism about the country's economic and financial prospects.

"Such caution seems especially warranted with regard to the sharp rise in equity prices during the past two years," he said. "These gains have obviously raised questions of sustainability."

In a reminder that the Fed could raise interest rates before clear signs of resurgent inflation emerged, he emphasised that the Fed's monetary policy was pre-emptive and said the central bank remained on heightened inflation alert.

Mr Greenspan's remarks, which echoed his warnings about "irrational exuberance" in financial markets last December, shook bond and equity markets as investors interpreted them as a clear hint that the Fed might be about to raise interest rates.

By 1pm the Dow Jones Industrial average had lost more than 88 points and bond prices had also fallen sharply. The yield on the benchmark 30-year treasury bond had risen to 6.73 per cent, up from Tuesday's 6.66 per cent.

"This is a follow-up to his 'irrational exuberance' comments last December," said Mr Richard Berner, chief economist at Mellon Bank, a financial services company in Pittsburgh.

"Then he was talking in general terms. This was much more specific. He is preparing the markets for an increase in interest rates soon."

In what was generally a positive assessment of the nation's real economic prospects, Mr Greenspan acknowledged US economic performance in the last few years had been exceptionally benign, marked by robust growth and low inflation. He announced the Fed was forecasting growth this year of between 2 and 2.25 per cent, consumer price inflation of 2.75 to 3 per cent, and unemployment of 5.25 to 5.5 per cent.

But he again warned that the unusual combination of very low unemployment with little inflationary pressure was likely to prove temporary. He attributed the absence of inflationary stresses to a period of increased job insecurity which had held down wage demands.

Most of his statement was an extended warning against over-optimism caused by prolonged economic success.

He rejected claims by some economists that fundamental change in the economy had altered the outlook for US economic prospects forever.

"Regrettably, history is strewn with the visions of such 'new eras' that in the end have proven to be a mirage," he said.

This optimism was reflected in the soaring financial markets, Mr Greenspan said.

He said current equity valuations implied expectations of very strong earnings which could only be achieved through continued restraint on costs. Any small change in earnings expectations could have an outsized impact on equity prices, he cautioned.

Any over-valuation of asset prices heightened the risk of inflation spreading throughout the economy. The Fed had to be sensitive to "indications of even slowly building imbalances, whatever their source, that, by fostering the emergence of inflation pressures, would ultimately threaten healthy economic expansion".

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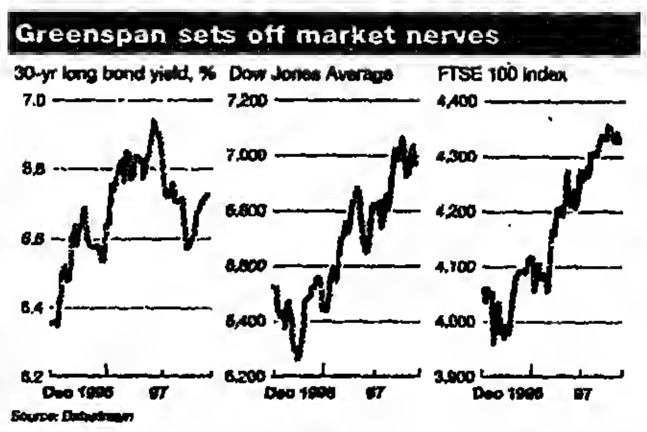
Currencies, Page 23
US stocks, second section

Cautious note: Alan Greenspan making his presentation to the US Senate yesterday Picture: AP

Greenspan sets off market nerves



BAe urges Airbus to headhunt senior executives

By Michael Skapinker and Bernard Gray in London

British Aerospace is pressing its Airbus Industrie partners to appoint headhunters to search for senior executives when the European manufacturing consortium is turned into a limited company.

Sir Richard Evans, BAe's chief executive, says, "We favour appointing a headhunter to find the right man. We can no longer accept jobs being allocated on a Euro-version of Buggins' turn." BAe believes using outside consultants would help end the Airbus tradition of appointing executives on the basis of their nationality. The managing director of the consortium has traditionally been French.

The company pressed the case for a wide search, and for executives to be appointed on merit, as it announced a 38 per cent rise in profits to £456m for 1996, and boosted its cash pile by £523m to £726m.

The four companies which own Airbus – BAe, Aerospatiale of France, Daimler-Benz Aerospace (Dasa) of Germany and Casa of Spain – are converting Airbus into a single company. The four shareholders agreed last year the new company should take over

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BAe cash pile, Page 20

South Korean chipmakers suffer sharp profit falls

By John Burton in Seoul

South Korea's three big semiconductor companies have reported sharp falls in net profits for 1996 after a collapse in the global price for memory chips.

Samsung Electronics, tba world's biggest producer of memory chips, said earnings plunged 93 per cent to Won164bn ($191m), while LG Semicon had a profit drop of 88 per cent to Won91hn and Hyundai Electronics a fall of 92 per cent to Won71hn.

The poor results reflect a decline of more than 80 per cent in the price of the industry's mainstay 16-megahit dynamic random sccess memory (D-Ram) chip, from about $50 in late 1995 to below $10 at the end of 1996.

The slump in the price of memory chips resulted in South Korea's record current account deficit of nearly $24bn, as semiconductors account for almost 20 per cent of exports.

Production overcapacity that reflected rapid expansion by Korean chipmakers contributed to the price drop, along with a slowdown in demand among compnter companies that are the chip's main consumers.

Most analysts believe the Korean chipmakers relied on changes in accounting practices to avoid reporting possible net losses for last year. All three companies lengthened the period of depreciation un production facilities in the 1996 results, whicb reduced costs on the balance sheet.

Unlike US and Japanese semiconductor companies that havs stable non-memory chip operations, Korean chipmakers are dependent on bighly-cyclical memory chips. Bnt other businesses besides semiconductors helped profits for some of the companies.

Samsung Electronics officials said that growing sales of telecommunications equipment contributed to about half of the company's earnings last year. This is in contrast to 1995 when semiconductors accounted for an estimated 80 per cent of Samsung Electronics' record profit of Won2,500bn.

Chips and personal computers accounted for an estimated 60 per cent of Samsung sales last year of Won15,870bn, down 2 per cent. Consumer electronics contributed 30 per cent of sales but earnings in this sector were minimal because of price competition.

CONTENTS

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ABN Amro investment chief is forced to resign

By Gordon Cramb in Amsterdam

The head of investment banking at ABN Amro, one of Europe'a largest banks, was forced to resign yesterday after concealing for up to five years his implication in an insider dealing case.

Mr Louis de Bièvre, a main board member of the Dutch group, told fellow directors his wife Caroline had reached an agreement with prosecutors under which she admitted dealing in the sharss of an unnamed Amsterdam listed company on ths basis of information he had let slip.

Her offence came in 1992, as Mr De Bièvre was spearheading the takeover that June of Hoare Govett, the London stockhroker.

Following the deal, which gave the bank a strong presence in international securities markets, he worked on building its investment banking network in Asia and expanding corporate finance in London.

In London, staff at ABN Amro and Hoare Govett refused to comment. "We've been told to refer all calls to Amsterdam," said one senior executive.

Mr De Bièvre also resigned yesterday from the board of the Association for Securities Dealing, half owner of the Amsterdam Stock Exchange, which it ran until January when the exchange became a limited company. Senior exchange officials were described as sombre.

While ths investigation found that Mr De Bièvre, 59, was blameless for having passed on the information, ABN Amro expressed astonishment that he had kept the case quiet for so long.

"It is a terrihle shock, really it *is*, to the bank and to the sector," said Mr Jules Prast, its spokesman.

"The only thing you can do is in terms of damage limitation."

On a day when the Amsterdam bourse set further records, shares in ABN Amro fell Fl 1 to close at Fl 142.50.

Mr De Bièvre's disclosure was made late on Tuesday to Mr Jan Kalff, hank chairman. It comes as Mr Kalff prepares to announce annual results today for ABN Amro. The results are expected to be hunyed by a strong contribution from the investment banking side.

"We have a lot of rules to prevent insider trading. Those rules should be lived up to by all people working for the bank, hut of course we expect senior managers to set an example," said Mr Prast.

Mr Prast said Mr De Bièvre must have known for some time about the prosecutors' inquiries.

The decision not to put Mrs De Bièvre on puhlic trial will meanwhile raise further questions over the determination of the Netherlands' legal anthorities to clamp down on insider trading.

The biggest prosecution concluded since the law was tonghened earlier this decade failed on appeal.

Although evidence is being beard in a number of similar cases, only one conviction still stands.

It ts thought likely that Mrs De Bièvre agreed to admit guilt and pay a fine, the size of which is not usually disclosed under the Dutch system.

An official at the public prosecution service said last night that such a deal was often accepted to save costs.

Commissioners feel Fischler figures exaggerate difficulties of rigorous curbs

EU rejects farm budget targets

By Lionel Barber and Caroline Southey in Brussels

The EU'a powerful farm lobby suffered a rare defeat yesterday when the European Commission rejected budget targets put forward by Mr Franz Fischler, agriculture commissioner.

Mr Fischler was told to think again after he presented figures on agriculture spending which fellow commissioners claimed exaggerated difficulties in imposing a rigorous EU budget regime for next year.

"There is a history of overbudgeting in agriculture," said a senior Commission official. "We wanted a strict and exact budget position and we did not get it."

The background to yesterday's dispute was a recent Commission plan to increase the 1998 EU hudget hy 3 per cent, just above the rate of inflation. Because of previous commitments to increase EU regional aid substantially in 1998, EU farm spending would rise by 0.5 per cent only.

Mr Fischler, a former farm minister in his native Austria, responded with proposals to meet the 1998 target with spending cuts of Ecu2.5bn ($2.9bn).

The proposal foundered on objections from President Jacques Santer and Mr Erkki Liikanen, EU hudget commissioner, who called for more precise figures. Some critics suspected that Mr Fischler had exaggerated the lavel of adjustment in order to make the whole cuts exercise less palatable.

The centrepiece of the package was an Ecu1.4bn cut in aid to cereal farmers – an idea tabled last year during the beef crisis but rejected hy EU farm ministers. Mr Fischler said an extra Ecu1.1bn should be found, possibly by an across-the-board cut in farm prices – by the end of the meeting this demand had been scaled back to around Ecu500m.

Aides suggested Mr Fischler was playing a shrewd long game. He wanted to sound the alarm over calls from EU finance ministers for even tighter budget limits on farm spending: "Fischler was simply warning everyone there could be problems down the road."

However, the view in the Commission is increasingly that DG6, the powerful farm directorate, aaks for more money than it needs. "The farm hudget has been underspent in recent years," said an official. "Besides, they found Ecu1bn in a week to help the beef sector to deal with mad cow disease."

Mr Santer and Mr Liikanen have led efforts for more budget discipline in the Commission to complement efforts in members states to meet the Maastricht treaty targets for monetary union.

But tighter budgeting is also becoming ever more important in order to prepare for the costly enlargement to central and eastern Europe.

After yesterday's skirmish, attention will turn to EU farm ministers' response to the renewed call for cuts in cereal aid.

Statue is a liberty Muscovites tell mayor

By Chrystia Freeland in Moscow

Even by the tough standards of Russian politics, Mr Yuri Luzhkov, the pugnacious mayor of Moscow, has a ferocious reputation.

He gives precedence only to the president and can make or break any business deal in the capital.

But this week, Moscow's political titan caved in to pressure from an *ad hoc* group of artists, students and young entrepreneurs over the capital's most controversial new emblem – a towering 60m statue of Peter the Great, costing nearly $20m.

Mr Luzhkov, who once described the statue'a sculptor as "the Michelangelo of our times", has agreed that the monumental Peter is far too large and maladroltly placed on an island in the Moskva river.

A committee, whose members will include the protesters, will decide the sculpture's fate. By May, city officials predict it will he hauled from its central location to some remote corner of the capital.

Mr Luzhkov's climhdown is particularly remarkable in view of the mayor's friendship with Mr Zurab Tsereteli, Peter's sculptor, whom he has commissioned to design dozens of monuments that dominate the cityscape.

But, on this occasion, public opinion seems to have triumphed over the tastes and friendships of the great.

In a sign that Russia's fragile democracy is building up some muscle, a group of the statue's most ardent critics this month formed an anti-Tsereteli committee and began the bureaucratic procedures required to call a city referendum on the issne.

The threat of a referendum proved too much for Mr Luzhkov, an amhitious politician who many observers believe could be planning to run for the presidency.

"To be honest, we did not expect this reaction hefore we met the mayor this week," said Mr Marat Gelman, a 35-year-old art gallery owner who was the driving force behind the protest.

"We expected the mayor's position to be more tough and that is why we raised the issue of a referendum."

Mr Gelman said the mobilisation of students and artists – not usually a force in Russian politics – against the statue reflects a slow change in Russian society.

"A nsw generation has appeared which is strong, self-confident and successful and sees itself as a real power," Mr Gelman said. "Our protest is a sign that this generation has appeared and that we are not just interested in business but also in assuming a leadership role in civil society."

The battle over Peter the Great also suggests that, after decades of socialist realism, Russia's artistic tastes are changing, reflecting a desire for work that is more "cutting edge".

Mr Luzhkov belongs to a generation which prefers grandiose art. "Overall, the mayor is a supporter of classical, realistic sculpture," said Mr Sergei Kovalchuk, an official at the architectural department of the city government. "I've never heard him say he enjoys the work of artists like Malevich or Kandinsky."

But the new generation of Muscovites has different inclinations. "The statue is very unmodern and archaic, and maybe for the youth that is the worst thing. We want our capital to be contemporary, dynamic," Mr Gelman said.

However, activists think the U-turn could make the city's strongman more popular than ever.

Moving monument: the Peter the Great statue may be relocated after protests that it was "archaic". AP

Carmakers hit by rejection of retirement plan

By David Owen in Paris

France's hard-pressed carmakers received a new setback last night when the government rejected calls to help fund plans to cut thousands of jobs and reduce the average age of employees through early retirement and other measures.

The industry ministry said it had decided against committing itself to proposals thet would have taken several years and were not in line with normal practice.

It emphasised that it was ready to discuss more general ways for the companies to improve their competitive position. "We have come to the clear conclusion thst Frencb carmakers must make substantial gains in competitiveness and productivity", it said.

Yesterday's announcement brings to a close a saga that began last July when Renault and Peugeot Citroën sent a joint letter to Mr Alain Juppé, the French prime minister.

Le Canard Enchainé, the satirical newspaper, said the letter warned that the French car industry had to adapt to new conditions. It pointed out that half the two companies' employees would be over 50 by 2000.

Subsequent talks between the companies – which employ more than 220,000 in car prodnction worldwide, the majority in France – and the government are thought to have focused on a law offering atate funding to companies placing older employees on part-time work, while hiring young people.

Attention will now switch to the consequences of the government's decision for the respective strategies of the two companies, which face cut-throat competltion from foreign manufacturers and are due to report 1996 results in March and April.

Renault, in which the French government retains a 46 per cent intarest, has warned it will report suhstantial losses. Les Echos, the French business newspaper, this week suggested these could exceed FFr4bn ($704m), due partly to the inclusion of substantial restructuring charges. The company last night would make no comment.

Investors back off betting on Emu

Fewer see it as on course but it depends where they are looking from, writes **Richard Lapper**

Concerns abont a possible postponement of European Monetary Union are growing in international financial markets. However, while some institutional investors have sold some of their holdings in markets that previously benefited from the prospect of Emu – such as ltaly and Spain – sentiment is far from universally pessimistic. London-based investors are more sceptical than the rest.

The latest evidence of s shift in attitude by investors came on Monday with publication of a survey of 38 international bond investors by Lehmsn Brothers, the US investment bank. Lehman's research showed a significant reduction of holdings in the "peripheral" European markets which have most to gain from first round membership of Emu.

Only 26 per cent of the investors surveyed, who collectively manage ahout $140hn mostly in pension, insurance and investment funds, consider themselves to be overweight in Italy compared with 39 per cent when the survey was last conducted a month ago.

By contrast investors have shifted the balance of their portfollos in favour of Europe's traditionally most secure market, Germany, as well as the two markets that most closely track it, Austria and the Netherlands, and the UK, whose early participation in Emu is unlikely.

In the currency markets investors are buying the dollar and the D-mark and reducing their holdings of most other European currencies.

Holdings of lire are at their lowest level for nearly two years, according to the survey.

Developments in the interest rate swaps markets – where investors swap floating-rate interest payments on an investment for fixed-rate ones – also hint at concern that Emu might not go ahead as planned.

According to JP Morgan's Emu calculator, which is hased on movements ln swaps rates, the market's perception of Italy's chances of joining the first round of Emu on January 1 1999 have declined from 72 per cent to 62 per cent in the four weeks to February 24, while Spain's perceived chances of first-stage entry have dropped from 80 per cent to 62 per cent over the same period.

The change in sentiment follows several months of strong convergence between European interest rates and indicates that investors are beginning to re-appraise the prospect for Emu starting on schedule in 1999.

The trigger for recent developments has been signs of slower growth and rising unemployment in Germany. The latest figures for German unemployment, published in the first week of February, showed unemployment to be higher – at 4.6m – and the German economy to be weaker than expected, casting increasing doubt on the government's plans to reduce its fiscal deficit to the 3 per cent of gross domestic product target stipulated by the Maastricht treaty.

This has brought into question even German first-round membership of Emu. At the same time Germany's faltering economy is expected to focus attention on the costs rather than the benefits of monetary union, reinforcing popular scepticlsm about a wider union which would include Italy and Spain.

"The German numbers lcok pretty awful," said one London-based fund manager, who has reduced his exposure to Italian and Spanish bond markets in recent weeks.

"It may well be that there is a realisation that convergence is not going to be as straightforward as was thought at the height of optimism earlier this year. People are getting cold feet."

"There has been a lot of talk about the weakness of the German economy," says Mr Julian Jessop, chief European economist at Nikko Europe, the Japanese securities house. "Previously the dehate was whether Italy could qualify. Now it is whether there will be a monetary union at all."

Yet so far, the impact on prices has been relatively small in comparison with last year when holders of Italian and Spanish bonds made massive capital gains.

Italian 10-year bonds have underperformed their German equivalents in the last few weeks, with the difference in yields – the so-called yield spread which analysts use to measure the relative strength of markets – widening by about ¼ of a percentage point to 1¾ percentage points.

That, however, compares with a contraction last year of more than 3 percsntage points. Similarly while international investors havs sharply reduced their exposures to French bonds in ths last four weeks, French bonds are still slightly more expensive than German ones.

A number of analysts suggest that the reason for this is that, while London-based investors have become concerned, domestic European investors are still relatively confident sbout Emu going ahead as planned.

"There is a split between London-based and continental investors," says Mr Michael Burke, senior economist at Citibank in London. "London investors are far more sceptical but the bounce off historic lows [in yields] has been very limited so far and there has been relatively little pressure on exchange rates."

Mr Jessop at Nikko agrees. "Continental investors seem resigned to Emu going ahead. They take the view that it is a political decision."

CORRECTION

Irish rating

In the Financial Times of February 25, we incorrectly reported that Moody's Investors Service rated Ireland's foreign currency debt at Aa2. The rating wss upgraded recently to Aa1.

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EUROPEAN NEWS DIGEST

Jibe angers MEP leader

Mr José Maria Gil-Roblés, the new Spanish president of the European Parliament, yesterday snubbed Mr Hervé de Charette, the French foreign minister, after the latter complained that the Strasbourg assembly showed that it was "not a parliament worthy of the name" for intervening in France's heated immigration debate. Cutting short what was meant to be a courtesy visit to Paris, Mr Gil-Roblés called Mr de Charette's comment "unacceptable" and cancelled a meeting with him.

The cause of the row was last week'e European Parliament resolution, supported hy French Socialist MEPs, urging the government to withdraw its new hill to curh illegal immigration. Mr de Charette expressed "shock at a member state government being told to withdraw a hill within its national competence".

The row will reinforce France'a desire not to see the European Parliament gain any new powers, even at the price of straining relations with Germany which favours a bigger role for MEPs. *David Buchan, Paris*

Luxembourg grasps tax nettle

Luxembourg plans to grasp the thorny problem of tax harmonisation during its forthcoming European Union presidency. It wants to hroaden the issue beyond the exemption on non-residents' savings for which the grand dnchy is being increasingly criticised by its EU partners.

Mr Jean-Clauds Juncker, Luxembourg's prime minister, yesterday used a speech in Paris to announce that the grand duchy would try to get agreement "on a list of tax problems and on a code of good conduct [by EU states] before moving on to possible harmonisation". France has led the recent charge for tax harmonisation which is backed by the European Commission.

Mr Juncker said, however, that rapprochement of tax regimes, in the context of impending monetary union, should not be limited to the exemption which Luxembourg, and several other EU states, give non-residents on their savings, and ought to inclnds corporation tax. He cited tax hreaks for the "co-ordination centres" of multinationals in Belgium, for holding companies in the Netherlands and for foreign investors in Ireland. *David Buchan*

Archbishop charged in Sicily

Sicilian Archbishop Salvatore Cassisa, one of the highest-ranking Catholic churchmen ever to face Italian justice, went on trial yesterday with five other people on charges of corruption and defrauding ths European Union. The 75-year-old prelate, who denies wrongdoing, faces up to four years in jail if convicted.

Hs is charged with extortion and attempted extortion connected to bribes the prosecution says were demanded from construction companies and artisans seeking contracts for work on Monreale cathedral from 1990 to 1993. He is also accused of defrauding the EU of some L200m ($120,000) by overstating the size of a church vineyard which was put out of production in order to reduce wine production and receive an EU farm snbsidy. The trial was adjourned to March 18. *Reuter, Palermo*

Moscow ponders caviar curbs

Russia is considering strict controls on caviar in an effort to stem the hlackmarket trade, says Mr Viacheslav Zilanov, an official at the state fisheries committee.

The Interfax news agency reported Mr Zilanov as saying that illegal caviar exports from Russia, Azerbaijan and Kazakhstan exceeded official sales by two or three times. He said Russia hoped to export 60 tonnes this year, from a total production of 100 tonnes.

Russia has a quota this year to fish 1,500 tonnes of sturgeon, from which caviar is derived, in the Caspian. Stocks have fallen dramatically in recent years because of illegal fishing and pollution. *Chrystia Freeland, Moscow*

Russian sell-off delayed

The privatisation of Rosgosstrakh, Russia's higgest insurer, has been suspended by the Moscow Arbitration Court until March 25 when the court will take a final decision on a suit brought by a group of depositors at the state savings bank Sberbank. The group is seeking a suspension claiming the company owes about Rbs24bn ($4.2m) in 1992 prices to its depositors.

The debt represents money Rosgosstrakh collected before the start of economic reforms in 1992, when it was the only household insurance company. The company said a 1995 law and 1996 presidential decree had transformed Rosgosstrakh and Sberbank debts to individuals into state deht. "Our charter says we are not responsible for state deht," it said. *Reuter, Moscow*

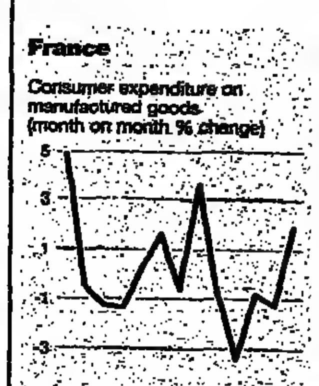
VW probe draws blank

Volkswagen, Europe's biggest carmaker, said yesterday an internal investigation into allegations of corruption in its purchasing division had so far proved inconclusive. "Until now.... there have been only a few fragmentary findings, indications or assumptions which do not permit a final assessment," the German group said. However, it added that it would continue with its probe.

The investigations follow press allegations that members of VW's purchasing staff extorted bribes from suppliers over several years. The issue arose in conjunction with a dispute with the Swiss-Swedish industrial group ABB over the costs of equipment at a paint plant for Skoda, VW's Czech subsidiary. As part of its internal probe, VW has suspended three employees and dismissed another. *Sarah Althaus, Frankfurt*

ECONOMIC WATCH

French consumption leaps



French household consumption of manufactured goods rose by 1.9 per cent in Jannary, reversing a fall of 1.8 per cent the previous month. The advance, stronger than expected, came in spite of a sharp 11.5 per cent decline in car sales. Excluding cars, tyres, spare parts and pharmaceutical products, the month-on-month improvement would have been 4.4 per cent. The figures from the national statistics institute continue a run of reassuring economic statistics for the government, which is relying on improved 1997 growth to help ensure it qualifies for European monetary union.

Fourth quarter gross domestic product figures, due today, are expected to show that 1996 economic growth was at or about 1.3 per cent, in line with government forecasts. January unemployment figures are set to follow tomorrow. Ministers, whose austere economic policies have come under mounting attack as the jobless rate has risen to a post-war record of 12.7 per cent, will be hoping the figures show no further deterioration, although some analysts have predicted the rate could hit 13 per cent by spring. *David Owen, Paris*

■ Hungary'a current account deficit fell to $1.7bn last year, about 3.7 per cent of gross domestic product and $800m down on the 1995 figure of $2.5bn.

NEWS: EUROPE

Student days too long, says Kohl

By Ralph Atkins in Bonn

Chancellor Helmut Kohl yesterday stepped up pressure for substantial reform of Germany's education system. He said too many students were spending too many years studying, sometimes not starting work until they were more than 30 years of age.

Mistakes had been made expanding Germany's education system over the past decade, Mr Kohl said, and the time spent by Germans at university was "damaging". It was also incompatible with an average retirement age of 60.

"Longer in education, longer in retirement and ever shorter working lives – the sums don't add up," the Chancellor said.

His speech in Munich came amid calls for a wide-ranging shake-up as part of structural reform to improve Germany's competitiveness and to increase the international compatibility of German university qualifications.

Representatives of German Länder (states) are expected today to present proposals to give universities greater autonomy, for instance over financial budgets and lecturers' responsibilities, and to encourage the development of specialist schools or polytechnics as an alternative to university.

Highlighting worries about the competitiveness of German industry, figures yesterday from the Institute of German Economics in Cologne suggested that large German companies had in recent years achieved an after-tax return on equity of about 5 per cent, compared with 19 per cent in the US and more than 20 per cent in Britain.

A separate survey by the Institute of Economics and Social Science in Cologne pointed to a 5 per cent fall over the past decade – to 1,645 last year – in the average number of hours worked by west German employees covered by union agreements.

Mr Kohl said Germany's "dual" vocational training system for school-leavers, which combines on-the-job instruction with theoretical teaching, typically for three years, was a "fundamental" part of the country's training programme. It helped explain why youth unemployment in Germany was less than half the European Union average.

Despite the much-trumpeted success of the German education system, however, the Chancellor said universities had to become "more flexible", with a shift towards "life-time learning". It was not acceptable "when today many are older than 30 when they graduate and only qualify as lecturers aged more than 40. We can't have this indulgence."

As a step towards increasing the compatibility of German qualifications, he suggested that the *abitur*, the school-leaving certificate usually taken aged 19 or 20, should contain the same basic elements across Germany, smoothing variations between Länder.

Mr Kohl proposed German, a foreign language, maths, natural sciences and history as "core" subjects.

Head of Volvo assails Swedish government

By Greg McIvor in Stockholm

Mr Bert-Olof Svanholm, chairman of Volvo and head of Sweden's industry federation, yesterday cut short a foreign trip to return to Stockholm and launch a bitter attack on the Social Democratic government's industrial policy.

In an escalation of an acrimonious public row between ministers and the leaders of the country's largest corporations, Mr Svanholm accused the government of seriously undermining the climate for investment by its recent decision to decommission nuclear power and increase public spending.

He said it would not take much "misbehaviour" by the minority government to persuade companies to consider whether to retain their headquarters in Sweden.

Mr Svanholm said he feared "public sector politicians" were gaining the upper hand within the SDP. He said the decision to proceed with the expensive nuclear phase-out and to channel a projected budget surplus next year into welfare indicated the government was "ready to start spending again".

His abrupt return was triggered by comments on Tuesday by Mr Göran Persson, prime minister, accusing business leaders of playing politics and suggesting that record profits earned by Swedish companies in the past few years had been "paid for" by the Swedish people through tough spending cuts.

This followed a newspaper article by more than 100 top executives from the country's largest companies, which declared that industry's confidence in government policy had been "destroyed".

Mr Svanholm yesterday described Mr Persson's remarks as incredible. He said the government had neglected the interests of industry and had failed to pursue business-friendly policies which would help address record unemployment.

The row marks the lowest ebb in relations between industry and the government for about a decade. The SDP has been traditionally friendly to big business, rooted in a long-standing affinity for large infrastructure projects.

Mr Svanholm said he had sought a meeting with Mr Persson a month ago to discuss ways of collaboration on joblessness and in reducing state debt but had received no reply.

Industry executives described as "the last straw" the government's decision to proceed with nuclear decommissioning which they are convinced will lead to higher electricity prices, diminished competitiveness and higher unemployment.

Mr Persson relies for a parliamentary majority on support from the pro-green Centre party.

Ukraine's Kuchma brings in reformist ministers

By Matthew Kaminski in Kiev

Ukraine's President Leonid Kuchma yesterday appointed reformist politicians as economics and finance ministers.

The latest moves in Ukraine's cabinet reshuffle – Mr Kuchma sacked the previous ministers on Tuesday night – add weight to the government's push for a realistic 1997 budget and a structural reform programme to sustain recent financial stabilisation.

Mr Ihor Metiukov, a former deputy prime minister and now special envoy to the European Union, faces a tough task at a finance ministry rattled by accusations of bad fiscal management. A youthful proponent of market reform, Mr Metiukov is handicapped by a reputation for ineffectiveness during his last stint in the cabinet in 1995.

"The finance ministry has been the weak link in the government," said Mr David Boren, head of emerging markets research at Salomon Brothers in London. "That's weird when preserving financial stability is your top economic priority."

Mr Yuri Yehanurov, a respected head of the state property fund, inherits an economics ministry whose role in setting and implementing policy remains unclear.

The new ministers give the government more political and regional balance – the cabinet had become dominated by allies of Mr Pavlo Lazarenko, the prime minister, from the influential industrial centre of Dnipropetrovsk.

The president yesterday stopped short of bowing to intensifying pressure to merge the finance and economics ministries into a new ministry with broader powers to plan the budget and implement structural reforms.

Those responsibilities now rest mainly with the deputy prime minister for reform, Mr Victor Pynzanyk, and the president and prime minister.

Along with the two economics ministers, the statistics and machine-building ministers were fired on Monday night for "serious inadequacies" in their work. Mr Lazarenko last week indicated these portfolios would be changed.

Two other ministers were sacked 10 days ago as part of a claimed presidential crackdown on corruption.

Mr Kuchma, whose constitutional relationship with the prime minister remains vague, this month sharply criticised the government for failing to back the proposed budget and a deregulatory legislative package and set March 15 as deadline for passing both measures.

The economic uncertainty caused by the absence of a budget puts in jeopardy Ukraine's success in keeping inflation steady by delaying the disbursal of promised western credits.

The president's attack also seemed to be directed at Mr Lazarenko, who has been dogged by attacks on his business dealings in his nine months in office.

Some analysts called the cabinet changes an attempt by the prime minister to forestall his own dismissal, although Mr Lazarenko sounded confident at a press conference yesterday with the Italian prime minister.

"Lazarenko's bought himself a few more weeks or months by dumping his old buddies from the cabinet," a western diplomat said. "It's a bit like rearranging the deck chairs on the Titanic."

Brussels proposals aim to penalise polluters and ensure supplies

Radical plan to protect water in EU

By Caroline Southey in Brussels

The European Commission yesterday agreed radical plans to clean up and protect EU water, including charging users for the cost of pollution and imposing a compulsory regime of permits to protect supplies.

The wide-ranging proposal brings dozens of EU directives on water policy under one umbrella and introduces a number of novel concepts to managing water supplies. These include dividing the Union into about 50 geographical areas based on river basins so that supplies and pollution are monitored on a regional basis, and setting limits to protect water quality as well as quantity.

The proposal is designed to ensure that by 2010 the bulk of the EU's water supplies meet strict emission limits, and to guarantee that ground and surface water supplies are used economically to ensure ecosystems are protected.

Ms Ritt Bjerregaard, environment commissioner, said the proposals were aimed at protecting water from overuse and pollution, particularly by industries and agriculture. "We have to supplement the directives we already have. What's new in this approach is that we will be able to tackle two or three sources of pollution in one area," she said.

An EU official said the proposals would also affect consumers who should expect to pay for the cost of cleaning up domestic water such as effluent. "All those who are responsible will have to pay. We as consumers are not innocent either," he said.

The first objective, he added, was that Union countries meet existing limits on pollutants such as nitrates by 2010. "But, in addition, we think countries should have to go further if they are not achieving the additional objective of protecting supplies and the environment."

Exemptions to these targets would include water that is "severely impaired", such as Rotterdam harbour or where natural conditions, such as a drought, did not allow the standards to be met.

The key to the success of the proposal will be whether member states accept the "polluter pays" principle. EU industry, with the backing of some states, is already fighting a rearguard action against a similar proposal linked to environmental damage.

Ms Bjerregaard stressed that it was time the EU "stopped passing the buck to other sectors. We have to introduce a 'polluter pays' principle. We know who is responsible but they have never been told to pay the clean-up costs. Prices must start reflecting the real costs – consumption and pollution."

Equally controversial will be the proposal that member states issue "abstraction" permits. The EU official said these should be granted only if there was sufficient water to allow supplies to recharge. "All member states will have to start looking at how water is being used."

Taking the waters: an outflow in Britain is sampled for pollution Greenpeace

Swiss agree to form of Jewish holocaust fund

By William Hall in Zurich

The Swiss government yesterday finally approved a fund to compensate holocaust victims that gives world Jewish groups a big voice in how the money is distributed.

Yesterday's decision removed any lingering doubts that the fund would not soon start paying money to Jewish individuals and organisations, mainly in Eastern Europe, in order to defuse the row over dormant Jewish bank accounts in Switzerland and the country's role in laundering Nazi gold during the second world war.

The Swiss government has agreed the terms and conditions of the fund with the Swiss banks, the World Jewish Restitution Organisation (WJRO), in alliance with its nine member organisations, and in special association with the state of Israel. The government will appoint the president of the executive which will consist of four Swiss and three non-Swiss chosen by the WJRO, an umbrella group of Jewish organisations and the state of Israel.

The fund has been set up with a SFr100m ($68m) downpayment from the big three Swiss banks. The government has not yet said whether it would contribute. Yesterday, Mr Georg Krayer, chairman of the Swiss Bankers Association, said he would do everything in his power to make sure that the rest of the country's 400 banks contribute.

Mr Krayer dropped any pretence that the Swiss banks had not been pushed into making the contribution by worries that their international business might be damaged by threats by world Jewish groups to call a boycott. He said the banks' contribution had been driven by a mixture of gratitude, penance, shame and also purely commercial motives. "If the deed is good, the motives are less important," he said.

He admitted that Switzerland's wartime record of neutrality was "more morally tainted than we would have liked".

"Until 1995, Swiss banks acted like an expensive Swiss watch" where accuracy and reliability were of paramount importance, said Mr Krayer. Full and accurate documentation was regarded as essential before banks handed over dormant bank accounts. His members had complained that the SFr100 search fee covered only a small part of the SFr3,000-SFr4,000 cost of individual searches. "We didn't realise that lots of claims came from countries where SFr100 is a lot of money," he said.

Although Mr Krayer's comments and the establishment of the fund have gone a long way towards defusing the recent international row over Switzerland's wartime record, Swiss bankers remain concerned that there has been no agreement to abandon three class actions in the US. Although the Swiss banks are confident that they can win the legal battle, their defence will take up a lot of management time.

NEWS: THE AMERICAS

White House 'overnights' encouraged by Clinton

By Patti Waldmeir in Washington

For President Bill Clinton, lifelong addict of the campaign trail, political fundraising has clearly become something of an obsession.

That is the message which emerges from hundreds of pages of internal documents released by the White House on Tuesday night. They establish a damaging, direct link between the president and the Democratic party fundraising tactics which are under investigation both by Congress and the Justice Department.

They place Mr Clinton himself firmly at the centre of the campaign finance scandal which dominates national politics, and which threatens to overwhelm the president's legislative agenda for a second term.

No one is suggesting – at least for the moment – that there is anything illegal about the president's fundraising obsession. "This is a big embarrassment, but I'm still looking for any illegality in it," says Mr Norm Ornstein of the American Enterprise Institnte, an expert on campaign finance. "Embarrassment is bad, but it's not a felony."

Mr Ornstein was commenting on documents, including handwritten notes from Mr Clinton, released by the White House in an attempt to limit the damage of a acandal which haa caught fire among politicians and the media, at least in part because of the absence of any other compelling political agenda from either Republicans or Democrats.

The documents show that the president explicitly autborised the use of the White House – including overnight stays at its historic Lincoln bedroom – to tantalise big campaign donors. So far, Mr Clinton has sought to distance himself from the scandal, blaming abuses or improprieties on party officials. But these records sbow hia involvement was both detailed and direct.

On one auch memo, the presidential scrawl says it all: "Ready to start overnights right away," Mr Clinton has jotted on a note for his staff attached to a memo from Mr Terry McAuliffe, then the Democratic party's finance chairman. That memo, from 1993, outlined methods to be used to "energize" (slc) snpporters: it suggested "breakfast, lunch or coffee with the president" for key supporters, who might also be invited to golf or jog with Mr Clinton.

Mr McAuliffe does not suggest sleepover stays at the White House – but Mr Clinton makes it clear in his handwritten note that he thinks "overnights" are a good idea.

The president continues to insist that there was no direct link between fundraising and White House sleepovers. "The Lincoln Bedroom was never sold," he said as the White House published a list of 938 people who spent a night in the room and other bedrooms on tha third floor of the White House residence. "They were my friends, and I was proud to have them here," said the president, a note of hurt and resentment in his voice.

But records from the Federal Election Commission show that of the "friends" who alept at the White House, several donated large sums – perhaps as much as $10m in total, according to one analysis – to Democratic coffers. Businessmen such as Mr Lew Wasserman, formerly of MCA, Mr Steva Jobs, the computer entrepreneur, and even Mr Steven Spielberg, the Hollywood director, are on the list of top sleepover donors.

There is no evidance that these donations were illegal, but they are widely perceived as improper. They will add new fuel to investigations into whether the president or anyone else in the White House went beyond the bounds not only of propriety but of the law.

The release of the documents has deepened the impression that it was Mr Clinton's frenzy for re-election which fuelled unprecedented abuses of the campaign finance system in 1996. He brought a new focus to the goal of raising money for political advertising.

The irony is that, despite a huge expenditure of presidential energy, the Republican party still raised far more in so-called "soft money" (largely unregulated donations) than Mr Clinton was able to muster. Republican financing practices are also under investigation. Mr Ornstein says the difference between the two parties in terms of selling access to political leaders was one of "degree and not of kind".

Whatever the improprieties of last year's campaign, the biggest question remains to be answered: what did donors buy with their money? Was the presidency really up for sale? The questions may take months to answer.

President Bill Clinton yesterday fended off charges that he had solicited campaign donations by inviting Democratic supporters to stay overnight at the White House.

Of 938 overnight guests, the vast majority were personal friends, he said, adding that it was "entirely appropriate" that they also included campaign contributors. "There was no solicitation at the White House," he said.

Mrs Janet Reno, the attorney general, responded to calls for a special prosecutor to investigate alleged campaign funding abuses involving the White House. She said she had "not received evidence that under the law would justify the appointment of an independent counsel", but made it clear that she would continne to review this decision.

Litigation is on the cards

Retailers say debit cards are too expensive; Visa and MasterCard say all their cards must be accepted or none at all. **John Authers** reports

Visa and MasterCard, the two US-based banking associations which dominata the world payment card industry, are preparing tbeir defences against two separate legal initiatives which could radically alter the credit card industry.

This month a lawsuit filed against both associations hy Wal-Mart, the biggest US retailer, and others was joined by the National Retail Federation, an organisation representing 1.4m US retailing establishments. The retailers are demanding the right to refuse Visa and MasterCard debit cards, on tbe grounds that charges they pay for each transaction are excessive.

This would hreach tbe "honour all cards" rule, under which both associations insist that merchants accept all cards bearing their name or none at all.

If successful – and the issue, involving the complex US competition or "anti-trust" regulations could take years to resolve – the lawsuit couid force radical changes on the credit card industry.

When combined with a US Justice Department inquiry into the card associations' refusal to permit member banks to offer American Express cards, it may be the most serious threat to Visa and MasterCard's hegemony since the associations were formed 30 years ago.

MasterCard said universal acceptance was the "foundation of our business".

The lawsuit claims: "In a free and unrestrained market, Visa Check and MasterMoney [the associations' debit products] would gain minuscule acceptance and market ahare given their exorbitant, fixed and supracompetitive prices."

They may be placated by a cut in transaction charges. The lawsuit includes a list of the charges levied on retailers by different plastic card products. It shows Visa and MasterCard credit card purchases costing the retailer 1.25 and 1.31 per cent of the transaction price respectively; debit card purchases cost 1.10 and 1.31 per cent.

By contrast, debit card transactions via regional on-line networks run by groups of banks are less than a tenth as expensive for retailers. The NYCE network, which covers New York and the north-east, charges only 0.075 per cent per transaction, while others charge as little as 0.05 per cent.

Mr Mallory Duncan, of the federation, attacks the card associations for charging a "risk fee" for a "risk-free" product: "This is not a loan here. In a credit card transaction they are lending customers money to enahle them to shop with us. But in this [debit card] case it'a a plastic cheque – the money is already in the customer's account and there's far less risk for the MasterCard and Visa issuers."

Visa, whicb haa already cut charges on its debit card, attacks the comparison with on-line networks. It says the networka are costly for retailers to install; debit cards work on their existing credit card infrastructure.

Further, it says debit card purchases carry a risk for memher banks, which is greater than for on-line systems: "If funds in tbe account are not sufficient, it will sbow up on-line, and the transaction can be forbidden. With a debit card, the financial institntion is exposed to the risk that sufficient funds may not be availahle to clear it. The Visa issuer would be responsible, not the retailer, and that's not tbe case with a bounced cheque."

The retailers' lawsuit follows tbe Justice Department's confirmation this month that it is investigating "restrictions on certain joint ventures" in the credit card industry – meaning the card associations' ban on member banks issuing American Express cards.

No decision from the department is likely until oext month, but it could opt for an anti-trust suit. American Express last year persuaded competition authorities in Europe and Latin America to overturn this ban, and it is applying heavy political pressure.

Victory on the issue is critical for the company, which last year reversed its long-held policy of only issuing cards directly, and not working through banks.

American Express said: "We believe that both Visa and MasterCard are taking an anti-competitive stance and that banks in the US should be free to make the same choices that are open to them overseas."

But a senior Visa official said: "For an anti-trust suit, the government would have to prove there's a failure of competition – in other words, that prices had been kept unduly high or output had been kept unduly low."

This would be difficult to prove, Visa says, at a time when credit card specialist banks are displacing the industry'a big participants and when competition has led to heavy cuts in both fixed fees and interest rates on credit cards.

Some cards are now more welcome than others — Tony Andrews

Brazil states' bonds probed

By Geoff Dyer in São Paulo

Brazil's procurator general and federal police began an investigation yesterday into a financial scandal involving allegedly fraudulent bond issues by several Brazilian states and municipalities.

The intervention of law officers in the scandal was prompted by evidence uncovered during a three-month-old special Senate inquiry and comes after the central bank closed down 15 banks and brokerages last Friday for their involvement in the bond issues.

A government watchdog is now to launcb an investigation into tbe central hank procedures for authorising states' and municipalities' bond issues.

Some government members fear that the gathering momentum of the inquiry, which threatens to involve several leading politicians, could lead to a delay in congressional votes on important constitutional reforms.

Under tbe 1988 constitution, states and municipalities are only allowed to issue bonds in order to cover debts they are legally obliged to repay, after presenting a proposal to tbe central bank and receiving approval from the Senate.

The Senate inquiry has alleged tbat funds from bonds issued by the states of Alagoas, Santa Catarina and Pernambuco, and the city of São Paulo, were used for purposes other than paying statutory debts.

According to members of the inquiry panel, a conspiracy operated wherehy the bonds were issued to a network of friendly brokerages below face value and then aold to otber investors at normal prices, earning huge commissions for the brokerages. Some of these commissions were then allegedly sent abroad illegally.

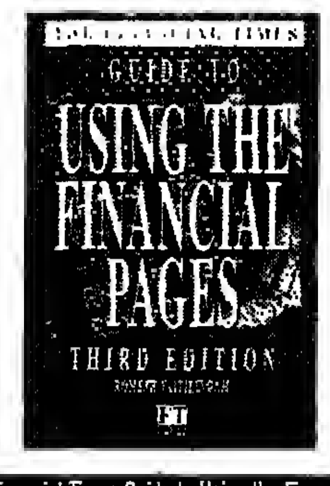
The inquiry has received evidence to support its claims from one of the firms involved in the alleged conspiracy. On Friday Mr Wagner Ramos, who the senators believe co-ordinated tbe scheme in return for payment, resigned as director of public debt for the São Paulo city council.

Pressure is mounting for the inquiry to call evidence from the state governors involved and from Mr Celso Pitta, the mayor of São Paulo, who was the city's finance secretary at the time of the allegedly illegal bond issues.

Members of the inquiry have also claimed issues of debentures by several state-owned companies were used to raise funds for the state governments and not for investing in the companies.

As the debentures are convertible into shares if they are not repaid, they could result in the indirect partial privatisation of the companies, according to Mr Vilson Kleinubling, one of the senators.

The companies involved have all strenuously denied any illegal activity.



US budget set to remain unbalanced

By Gerard Baker in Washington

The long-cberished conservative goal of constitutionally enforced fiscal rectitude seemed set to perish yesterday, when the last undecided senator indicated he would not vote for a proposed balanced budget amendment to the constitution.

Mr Robert Torricelli of New Jersey had previously suppried tbe amendment that would, in effect, outlaw federal hudget deficits, but in the senate yesterday he suggested he could not now support tbe proposal because it would pose unacceptable risks for the economy. His decision looks certain to lead to defeat for the amendment when the Senate bolds its formal vote early next week.

Even if be had backed the amendment, it was still far from certain yesterday whetber it would pass its next test in the House of Representatives.

The proposal was backed hy all Republicans and a critical minority of Democrats, but had been fiercely opposed hy the administration. It needed the support of two-thirds of both the Senate and the Housa to pass, before moving to the state legislatures, three-quarters of which must accspt it before it could become part of the constitution.

Though the Republicans bave majorities in both houses on Capitol Hill, they needed to peel away enough Democrats to ensure the two-thirds majorities. By early yesterday all 100 senators except Mr Torricelli bad made their position clear: in the end, 66 said they would support the amendment, 34 were opposed. In the House, tbe arithmetic suggested a similarly close vote.

It is tbe second time in two years that an attempt to pass tbe constitutional amendment has been considered by the congress. Last time it passed narrowly in the House but failed by one vote in the Senate.

A second failure will probably mark the end of the long campaign by conservatives to enact the amendment. It would also prove an important victory for the administration. Two months ago, the proposal looked certain to pass in the Senate. But since then President Bill Clinton and Mr Robert Rubin, the Treasury secretary, have campaigned against the amendment, saying it poses unacceptable economic risks.

Most persuasive has been Mr Clinton's claim that the amendment threatened the future of social security, the national retirement pension received by all Americans. If it were enacted, he has said, it could force the governmeot to stop paying benefits. The social security fund last year had a cash flow surplus of about $67bn. The rest of tbe federal budget was in in deficit by $125bn. To meet a constitutional requirement for a balanced budget, the president argued, judges might order the curtailment of social security payments. Pensioners' groups, wbo wield political clout, have backed him.

It is at best a contentious proposition. The social security part of federal expenditure is financed by a separate social security levy and could presumably continue after a constitutional amendment. Even if it were included in tbe overall balanced hudget calculations, the decision to cut social security would still bave to be a political, not a judicial one.

But the campaign clearly convinced many erstwhile supporters in the House and the Senate. In an effort to address tbeir fears tbe amendment's proponents have introduced a clause that would protect social security from governments and judges.

Ring-fencing social security, however, would make the task of balancing the overall budget even barder. The social security surplus belps to reduce the overall fiscal deficit. Without it, the deficit would grow from this year's projected $124bn to close to $200bn, making it all but impossible to balance the budget.

AMERICAN NEWS DIGEST

Sell-off spurs Argentine ire

Argentine opposition parties have reacted angrily to the government's decision this week to press ahead with the privatisation of two of tbe remaining state-owned enterprises in March. These are the mail company Encotesa and the mortgage bank Banco Hipotecario Nacional. The decision to privatise Encotesa, expected to net the government more than $200m, by presidential decree caused fury in Congress, but the order is expected to receive President Carlos Menem's signature by the end of the week. The decision to override Congress is not expected to end accusations of corruption, first made by Mr Domingo Cavallo, the former economy minister, in 1995. He claims the sale of the mail company will favour Mr Alfredo Yabran, the postal entrepreneur and sometime friend of President Menem.

Banco Hipotecario Nacional will be sold off in small parcels over a three-year period. The proceeds will go towards a $500m line of credit to finance 50,000 mortgages and the creation of a fiduciary fund to finance public works.

Andrea Campbell, Buenos Aires

Inflation threat to Venezuela

The Venezuelan government has reached an agreement with the labour confederation CTV to raise public sector salaries by an amount wbich could threaten its inflation target. The minimum take home pay for public aector workers is 97,000 bolivars ($205) per month, of which 57,000 bolivars is paid in bonuses and other benefits. According to Mr Raúl Matos Azocar, finance minister, the pay rise amounts to a 40 per cent increase. It comes on top of a medical sector pay rise of more than 100 per cent.

The central bank is keeping to its inflation target of 25 per cent for this year, but Mr Teodoro Petkoff, the planning minister, admitted 35 per cent was now more realistic.

Ray Colitt, Caracas

US companies push training

Businesses able to do so should commit 3 per cent of their payroll to education and training programmes while broadening stock ownership programmes and other forms of incentive compensation for workers, a leading coalition of US manufacturers said yesterday. The proposals, in a report on improving economic conditions for workers produced by the National Association of Manufacturers, follow calls at last week's conference of the American Federation of Labour-Congress of Industrial Organisations for companies to spread the benefits of increased profitability more widely to employees.

Mr Jerry Jasinowski, president of Nam, said he hoped the report would help offset union opposition to a bill being considered by Congress which would permit the use of employee-manager teams to address work issues in non-unionised companies. "Most union leadership seems stuck in yesterday's thinking," he said. Similar legislation was narrowly passed by Congress last year but was vetoed by President Bill Clinton after complaints from organised labour that it would undermine collective bargaining.

Mark Suzman, Washington

Israel to go ahead with Har Homa

By Judy Dempsey and Avi Machlis in Jerusalem

Israel yesterday decided to build a Jewish settlement at Har Homa in Arab east Jerusalem, brushing aside warnings that this could derail the peace process and lead to a new wave of unrest by Palestinians.

The decision, made after a meeting of the ministerial committee on Jerusalem attended by the prime minister, Mr Benjamin Netanyahu, drew condemnation from Israel's Arab neighbours and criticism from the west. In Washington, the White House said the US had encouraged both sides to build "confidence and trust" and that this was "not the type of actions we would believe would help build that".

In London, Mr Malcolm Rifkind, UK foreign secretary, said he was "extremely disturbed to hear that the Israeli government has decided to go ahead [with Har Homa]." He said all settlement building "in occupied territory is against international law, and, particularly in the sensitive case of Jerusalem, risks damaging the peace process by pre-empting final status negotiations".

The Har Homa project, at Jabal Abu Ghneim in south-east Jerusalem, entails building 6,500 homes for Jews. The development will close off the last corridor through which the Palestinian-claimed east of Jerusalem could be linked to the West Bank, most of which is due to come under the control of Mr Yassir Arafat's Palestinian Authority.

The Israeli government also agreed to permit 3,015 homes in 10 Arab neighbourhoods, where construction by Palestinians has been blocked by the authorities since Israel annexed east Jerusalem in 1968.

Mr David Bar-Ilan, Mr Netanyahu's media adviser, said construction for the first phase of 2,450 Jewish homes at Har Homa could could begin in about two weeks. In the coming days, the labour and social affairs ministry is expected to rubber stamp the approval.

Mr Arafat is seeking a meeting of the United Nations Security Council on the decision, while Jordan's parliament yesterday called for an emergency summit of the Arab League. King Hassan of Morocco, who met Mr Arafat on Tuesday, is to convene a meeting of the Jerusalem Committee of the Organisation of the Islamic Conference to rally international Moslem support against further Israeli encroachments in east Jerusalem.

Mrs Hanan Ashrawi, the Palestinian minister of higher education, urged the US to put pressure on Israel to abide by the peace accords, saying there was an increasing build-up of tension and frustration among Palestinians in the run-up to the Har Homa decision.

But Mr Netanyahu yesterday insisted the decision did not contravene the Oslo peace accords. "There is nothing, not a syllable about any limitation about Israel's sovereignty in Jerusalem," he said. "Both [Oslo] accords make it very clear that Israel's sovereignty [in Jerusalem] is unchallenged by the Palestinians."

Mr Netanyahu said he was aware there was "considerable anxiety" among Palestinians about the decision.

Nile states look to new division of waters

Mark Huband reports on an attempt to co-ordinate sharing of one of Africa's great resources

All the states through which the waters of the Nile flow have disputes with at least one neighbour but, when it comes to sharing the water, there is more than a glimmer of hope of co-operation.

Zaire accuses Uganda, Rwanda and Burundi of backing rebels who have seized the east of the country. Burundi has faced tough sanctions from all its neighbours since a coup brought the army back into power last year. Sudan accuses Uganda, Eritrea and Ethiopia of supporting rebels trying to overthrow the Khartoum government. Egypt, for which the Nile flows as a majestic lifeline, has rarely had such bad relations with Sudan, which it accuses of harbouring anti-government Islamic militants.

But the 10 states, which include the above as well as Kenya and Tanzania, appeared to put political differences aside at a conference in Cairo last week, in an effort to secure $100m in aid for 21 projects intended better to exploit the 6,750km river's economic potential and ensure fair distribution of the resource.

Donor countries – notably Canada and Denmark, which intend to finance three of the projects – have made aid conditional on the states co-operating. In spite of the worsening political situation, 10 ministers responsible for water supplies and the management of the Blue and White Nile rivers believe that establishment of a region-wide action plan is now likely.

"If there's no common political agreement then there's no climate for investment," said Mr Aly Shady, senior policy adviser to the Canadian International Development Agency, which has played a key role in bringing the 10 states together. "In the past the riperian states talked one-to-one. Now they have moved away from that, and all the states are talking about co-operation."

Pressure for a new approach is intense. The only legal water-sharing agreement in force is a 1959 bilateral accord which allows Egypt to extract 55.5bn cubic metres a year and Sudan to extract 18.5bn cubic metres. Both draw from waters largely sourced in Ethiopia, which is not legally allowed to extract any water at all.

Egypt's current economic take-off has been accompanied by 3.5 per cent annual population growth since the late 1950s, the lowest of the Nile basin states and a quarter that of Tanzania. Nevertheless, by 2050 Egypt's population – the largest in the region – will have doubled to 118m, according to the World Bank. Mr Hosni Mubarak, Egypt's president, in January launched a $223m canal project to bring water to Egypt's Western Desert in an effort to attract $4bn of private investment in new urban settlements. Diversion of Nile waters is essential to the project.

Sudan uses 75 per cent of its allowance, while Ethiopia has yet to demand a legally-based allocation. Uganda, Rwanda and Burundi all enjoy heavy rainfalls, as do parts of Kenya, Tanzania and Zaire. But the Nile's bounty can no longer be taken for granted.

"There are 250m people living in the Nile basin and this will become 1bn by 2050. But the amount of water is exactly the same," said Mr Shady, citing World Bank estimates. "More people will die very soon if they don't start to co-operate. The water those states receive is less than they need to live on, and this has been so since the 1950s."

Egypt is expected to see increasing urbanisation and industrialisation, which historically cuts water usage as less is used for irrigation which accounts for 85-95 per cent of overall consumption, Mr John Waterbury, professor of politics and international affairs at Princeton University, wrote last year in a study of the current negotiations.

"The international community has grown comfortable with the 1959 *status quo*, not because it is equitable, but because none of the nations most affected by it have consistently called it into question. Ethiopia may change that situation in the coming years," Prof Waterbury said.

Changing quotas would force Egypt to alter its remaining agricultural output – moving away from rice in particular – as well as further expand re-use of drainage water.

"We are not asking for more water. We are looking for co-operation," said Mr Youssef Waly, Egypt's deputy prime minister. "Egypt is the gift of the Nile, but it is using the water efficiently."

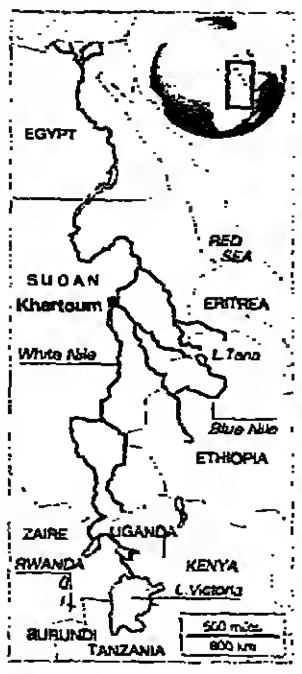
The need for a regional approach is vividly illustrated: worsening erosion in the Ethiopian highlands affects Egypt's water supply by silting-up the river hundreds of miles downstream.

"The co-operative framework will lead to an equitable distribution of the water," said Mr Yagoub Abu Shora Musa, Sudan's minister of irrigation and water resources. "The political considerations which arise from time to time I don't think are hindering us from looking ahead at the things which are lasting."

A similar view is held by the military government of Burundi, where the White Nile rises, in spite of sanctions enforced by its neighbours.

Such equanimity has impressed donors. The World Bank, which has no plans to lend its own funds, now appears willing to convene a meeting to co-ordinate donations for the $100m being sought for the projects – called the Nile River Basin Action Plan – and create a basin-wide authority to co-ordinate the water's use.

"We believe that the level of dialogue has improved. Talking has changed the tone. But it's at a very technical stage, which stems from bringing so many countries together," said Mr David Grey, senior water resources management specialist at the World Bank. "The river passes through some of the poorest countries in the world. There are emerging economies with growing demands. We want to avoid one person gaining by another person losing."



Nile at Aswan: 'We are not asking for more water. We are looking for co-operation' Tony Andrews

Zaire rebel in talks with Mandela

Mr Laurent Kabila, Zaire's rebel leader, arrived at President Nelson Mandela's home in Johannesburg yesterday for private talks on South Africa's offer to host Zaire peace talks, Reuter reports.

The talks follow an announcement by African foreign ministers yesterday in Tripoli of a summit on central Africa on March 18-19.

Mr Parks Mankahlana, presidential spokesman, said Mr Mandela remained committed to an early meeting with Zairean President Mobutu Sese Seko, and would probably travel to Zaire with other African leaders for the talks.

Diplomats said Mr George Moose, US assistant secretary of state, who is visiting South Africa, also met Mr Kabila yesterday.

Mr Mankahlana said Mr Mandela, who leaves for south-east Asia tomorrow, wanted to give his personal encouragement to the peace process.

"The intention is to encourage Kabila to play the role that President Mandela believes he is capable of playing in Zaire. Kabila is obviously a very important player," he said.

Mr Kabila's rebels, many of them Zairean Tutsis whose ethnic kin control neighbouring Rwanda and Burundi, took up arms last October and have overrun a swathe of east Zaire's borderlands.

The conflict, which escalated this month with air raids on rebel-held towns, has sent tens of thousands of refugees fleeing and threatens to destabilise Zaire and its central African neighbours.

Ups and downs of Lebanon's credit rating

By Samer Iskandar in London and Roula Khalaf in Rabat

Four international credit rating agencies yesterday issued an array of assessments of Lebanon's financial health.

The ratings, which reflect the agencies' perception of the risk of investing in the country, range from "investment grade" to "speculative".

Lebanese officials, however, said the variety in the ratings was not surprising, given the country's complexity and its vulnerability to regional politics and the future of the Middle East peace process.

"You come to Beirut and you see the good, the bad and the ugly," said Mr Mohamad Chatah, vice-governor of Lebanon's central bank. "Depending on your perspective or your experience, you can have elements of the Lebanese economy associated with very advanced countries and some aspects which put us near the lower income developing countries."

The highest grade, BBB-, was awarded by Nippon Investors Service, a Japanese rating agency. It denotes adequate payment capacity and low default risk. At the lower end of the range Moody's, one of the largest US agencies, rated Lebanon's foreign currency debt B1, reflecting high risk. The other ratings were BB by IBCA, the European rating agency, and BB- by Standard&Poor's, the other large US agency.

S&P's assessment puts Lebanon on a par with countries such as Jordan, Russia and Argentina, and one step higher than Brazil and Pakistan. It is based on the agency's assumption that "despite occasional setbacks, geopolitical conditions will gradually improve".

Analysts at all the main agencies underlined contrasts within the Lebanese economy. IBCA, for example, noted that "the private sector has real strengths, notably in the financial sector". But it also warned that "Lebanon remains a weak state, reliant on Syrian intervention" and that "the government has repeatedly failed to meet its fiscal targets, with the result that net public debt has soared".

Analysts said the strongest constraints on Lebanon's ratings were the large budget deficit and the resulting high cost of servicing domestic debt.

"Last year, the public sector deficit climbed to over 20 per cent of GDP," Moody's pointed out. "Fixed expenditures – particularly interest payments – comprise a large proportion of total expenditures."

S&P estimated that budget deficits could remain as high as 8-12 per cent of GNP, possibly leading to a doubling of Lebanon's net public debt burden (currently estimated at 20 per cent of GNP) by the end of the decade.

Japan company reform will make small bang

William Dawkins on disappointment at a plan to end the ban on holding groups

One thing that is at the forefront of Japanese executives' minds these days is how to keep up internationally – a change from the thoughts of market domination they had 10 years ago.

So it might seem strange that a government agreement to lift a ban on holding companies, long seen as a competitive handicap, should have elicited a lukewarm response from business.

Mr Shoichiro Toyoda, chairman of the Keidanren economic federation, for example, welcomed the move, but added it was "regrettable" that the proposals failed to go further.

On the surface, the proposals pave the way for a big change to the structure of Japanese capitalism. They also promise to enable the financial sector to start work on reducing the fragmentation which has lumbered it with sucb high costs and low productivity.

Holding companies – companies consisting mainly of (usually controlling) shareholdings in other companies – were banned by the US post-war occupation to avoid a re-emergence of the *zaibatsu* industrial combines which engineered the militarisation of Japan in the 1930s.

The present anti-monopoly law contains a bost of detailed restrictions on the amount of shares Japanese companies are allowed to bold in each other. Modern *keiretsu* corporate families have adapted to these curbs by linking various members thrnugh dozens of small cross-shareboldings. According to a recent study by the Fair Trade Commission, member companies of the top six *keiretsu* on average hold a combined total of just over 20 per cent of the shares of other members of the same groups, each held in small parcels of 2 to 3 per cent.

Some are already run like bolding groups, in the sense that management control and funds are organised centrally, as at Sony, the consumer electronics company, and Mitsubishi and Sumitomo Corporations, the trading houses.

And yet some *keiretsu* lack well-defined strategy setting centres, although they do in practice tend to be loosely organised around a general trading company or a bank. Proponents of holding companies say they should permit clearer and more decisive management and allow groups more quickly to spin off loss-making units and create or buy new businesses.

What triggered the decision, 10 years after the Keidanren proposed the removal of the ban, was the impending break-up of Nippon Telegraph and Telephone into a long-distance carrier and two local carriers under a holding company.

But it was also given impetus by the government's plan for a "big bang" deregulation of the financial markets by 2001, under which barriers between banks, stockbrokers and insurance companies are to be removed.

Why, then, executives' lack of enthusiasm? For one thing, the regrouping of different kinds of financial business will not in itself improve banks' and stockbrokers' competitiveness, points out Mr James Fiorillo, financial analyst at ING Barings in Tokyo. What is really needed is a rednction in surplus capacity.

Even then, the help offered by this new freedom is limited by several provisos, which were necessary to obtain agreement between the Liberal Democratic party and its two coalition partners.

Holding companies would only be permitted if combined assets did not exceed Y15,000bn ($123bn), which would excloda Japan's big four stockbrokers and most of its leading banks. In addition, the Fair Trade Commission would like the new rules to ban financial holding companies whose subsidiaries have a more than 10 per cent domestic market share or are among the top three in their sectors.

But the biggest omission from the plan is consolidated taxation. This is forbiddan in Japan and the Keidanren has long argued that it is badly needed to enable domestic companies to reduce their costs in line with less heavily taxed international competitors. Consolidated taxation allows a bolding company to offset losses of one snbsidiary against the tax liabilities of another.

"Without consolidated taxation, Japanese firms will not be able to compete globally," says Mr Isao Nakauchi, president of Daiei, the country's largest retailer.

The finance ministry, however, is against allowing consolidated taxation, on the grounds that it would lose Y2,000bn of annual tax revenues.

But without consolidated taxation, the signs are that only a handful of companies will want to set up a holding structure, according to a study by the Japan office of Goldman Sachs. As sometimes is the case with Japan's deregulation process, there is less to it than meets the eye.

Islamic militants put Uighur nationalism on the map with terrorist blasts

Bombs rock China's far west

By Tony Walker in Beijing and Charles Clover in Jarkent, Kazakhstan

China's attempts to portray a calm, business-as-usual appearance following the death last week of Deng Xiaoping, its paramount leader, have been rocked by terrorist bombings in far-west Xinjiang.

Three bombs planted on buses detonated simultaneously, killing at least four people and injuring dozens. The bombings, on Tuesday, are the most serious recent development in an ontbreak of Islamic fundamentalist-inspired terrorism on China's western frontiers.

"This may be the beginning of a campaign," said a western official in Beijing. "Somehow these bombings seem to have taken things to a new level."

Beijing has been grappling with an arc of nationalist troubles on its frontiers from Inner Mongolia in the north to the Moslem areas of Xinjiang in the west and Tibet.

Western officials said it was unclear whether the bombings in Urumqi, capital of Xinjiang, were timed to coincide with Tuesday's memorial service for Deng, but said it appeared the bombers intended a defiant gesture towards Beijing.

The bombings, which led to a security clampdown in Urumqi and others cities and towns in Xinjiang, are the second serious incident in tha region this month.

On February 5 and 6 anti-Chinese riots in Yining, near the border with Kazakhstan, left nine dead. The riots were blamed on Moslem agitators, notably Uighurs, people of Turkic origin, who have vowed to estahlisb an Islamic state in Xinjiang.

Moslems outnumber ethnic Chinese in oil and uranium-rich Xinjiang by about two to one among a population of 16m. Local resentment of Han Chinese is fuelled by disparities in living standards.

Support from Islamic fundamentalist groups in Iran, Pakistan, Afghanistan and Turkey is believed to be belping to foment trouhle. China's efforts to control movements across its porous borders are ineffectual.

China has not commented directly on the bomhings, bnt Mr David Levy, the visiting Israeli foreign minister, said the issue had been raised in his talks with officials in Beijing yesterday. "Every attempt to turn religion into a weapon becomes extremely dangerous. It is something that knows nn boundaries. It's like sand: it can be transported by the wind from nne place to another," said Mr Levy.

Beijing has become increasingly concerned about separatist violence in remote areas. In its annnal security assessment last year it put separatist challenges at the top of the list ahead of urban poverty and crime, and dissident activity.

Among Beijing's concerns is that Moslem extremists will take their grievances to the streets of big cities in the east such as Beijing, Shanghai and Guangzhou.

A recent article in Jane's Intelligence Review warned: "China could well find itself confronting its own species of Northern Ireland – an intractable, low-level campaign of terrorism enjoying a measure of popular support, defying easy solutions, and necessitating a disproportionate commitment of security forces."

Mr Ahmedjan Qari, a Uighur dissident exile, warned at a press conference held earlier this month in Almaty, the Kazakhstan capital, of an escalation in terrorism. "The world doesn't think we will die like in Afghanistan, like in Yugoslavia," ha said. "We can. We will die in droves."

Kazakhstan, which borders Xinjiang, is used as a base by Uighur activists, but the government in Almaty discourages a dissident campaign against China.

While Kazakh official television chalked the events up to a spontaneous casa nf "ethnic violence," the arrests which led to the riots were said to be a response to a year-long crackdown by Beijing on the Uighur population of Xinjiang.

Kazakhstan is keen to develop economic links to China, which represents an alternative to its economic dependence on Russia. The Chinese National Petroleum Company, for example, is taking part in a tender to develop Kazakhstan's Uzen oil field near the Caspian Sea. The Kazakh and Japanese governments are co-operating to fund a $90m project which would double railway capacity between China and Kazakhstan.

Protesters outside the ruling party's office in Seoul yesterday Reuter

Fresh pressure on Kim

President Kim Young-sam came under fresh political pressure yesterday when 500 workers protested outside the office of the ruling New Korea party to demand recognition of the nntlawed Knrean Confederation of Trade Unions and the reversal of a controversial labour law allowing workers to be sacked. The protesters vowed to go on strike tomorrow unless their demands were met.

Mr Lee Hong-koo, chairman of the New Korea party, and other party elders yesterday tendered their resignations, following President Kim's televised apology earlier this week accepting responsibility for the Hanbo Steel loan scandal, one of the country's biggest corruption cases. Ten senior politicians and businessmen have been indicted in the bribes-for-loans scandal, including a cabinet minister, MPs from ruling and npposition parties, senior bankers, and the founder of Hanbo which collapsed last month under debts of nearly $6bn. President Kim also apologised for the passage of the labour legislation that provoked industrial unrest last month, which the authorities say cost $2bn in lost production.

PNG and Australia in troops dispute

By Nikki Tait in Sydney

The alleged nse of mercenaries by Papua New Guinea has triggered a war of words between the South Pacific nation and its neighbour, Australia.

"I am sick and tired of our boys coming back in body bags," said Sir Julius Chan, prime minister of Papna New Gninea, after being told of Australia's displeasore at reports tbat the island bad employed mercenaries, apparently to fight a guerrilla war with secessionist rebels on Boogainville island.

Sir Jnlios called the reports sensationalist and said the mercenaries would only provide training for PNG defence troops. Earlier Mr John Howard, Australia's prime minister, bad told Sir Julius he regretted the development. Yesterday Mr Alexander Downer, Australia's foreign minister, called in Mr Ken Noga, the Papna New Guinea bigb commissioner, to ask how his country intended to pay for the mercenaries.

The row has come at a delicate time in the countries' relationsbip. PNG, which still receives more tban A$300m (US$230m) of Australian aid a year, is resentful of Australia's efforts to shift the aid on to a project-specific basis, saying the move is paternalistic.

Despite its considerable mineral wealth, PNG has been casb-strapped for several years. For the past 18 months, it has been obliged to accept loans from the World Bank and International Monetary Fund in return for making "structural adjustments".

Reports in the PNG press have suggested that the estimated A$30m cost of the mercenaries, supplied by a subsidiary of the UK-based Execntive Ootcomes, may have been met from last year's stock market flotation of Orogen Minerals, which houses the government's stakes in various resource projects.

Bot Mr Chris Haiveta, finance minister, said that this was wrong.

S E Asia acts to defend currencies

By Peter Montagnon and Justin Marozzi in Manila

Leading south-east Asian nations are planning to extend and intensify their network of foreign exchange repurchasa agreements to help ward off speculative sttacks on their currencies.

The decision was taken at a meeting of central bank governors from Thailand, Singapore, Malaysia, Indonesia and the Philippines as well as several other Asian countries in Bangkok twn weeks ago.

Mr Gabriel Singson, governor of the central bank of the Philippines, said the banks had decided not to disclose the size of any new arrangements, which huild on a series of agreements put in place after the Mexican crisis of late 1994.

Members of the South-East Asian Natioos (Asean) emerged from tbe initial meeting in Hong Kong in late 1995 with an additional $1bn-$1.5bn with which to defend their currencies. These arrangements bave not been drawn on, though there had been a test run, Mr Singson said.

The Pbilippines, which concluded a bilateral repurchase agreement with China last month, felt its reserves of $11.7bn were still too low.

Proceeds of the $750m-$1bn bond issue scheduled for launch in April would help boost the reserves, he said. The bond is expected to include a 100-year tranche of about $250m, confirming the Philippines' return to creditworthiness.

Mr Singson dismissed critics of tbe issue, which include Mr Roberto da Ocampo, the finance secretary, who claims the country does not need the money, saying it would be a useful henchmark. It would nnt crowd out other horrowers as its long maturity put it outside the ceiling on foreign borrowing agreed with the International Monetary Fund, he said.The cantral hank would continue to impose strict foreign ceilings even when the IMF agreement, due to be completed by June, lapsed.

ASIA-PACIFIC NEWS DIGEST

Jakarta MPs defy N-protests

Indonesia's parliament yesterday approved a law allowing state-owned and private companies to develop nuclear energy despite protests that the government is ignoring safety concerns. About 50 anti-nuclear activists, waving banners, protested for the second day nutside parliament as 75 of Indonesia's 500 MPs debated and approved the bill.

The government has been proposing to build at least 12 nuclear power plants across the country. The first is to be finished by 2000 near a dormant volcano in central Java, 400km east of Jakarta. A feasibility study has already been conducted.

No vote was taken yesterday hut leaders of Indonesia's three political groups in parliament approved the bill in a formality. The law will now be approved by President Suharto. An opposition legislator, Mr Laksmini Priyonggo, walked out of parliament, complaining it was contravening its own rules, which require the presence of two-thirds of the members to pass a bill. *AP, Jnkarta*

Thai reserves rise to $39.2bn

Thailand's finance ministry yesterday said the country's foreign currency reserves increased to $39.2bn at the end of January, up from $38.7bn in December, a sign recent interventions hy the central bank to defend the baht had not cost as much as many believed. The ministry said Thailand showed a balance of payments surplus in January of Bt24.7bn ($952m), compared with a deficit of Bt19.2bn in December. Foreign reserves in December bad declined $1.2bn from November's figure.

The finance ministry said Thailand's current account deficit narrowed to Bt19.1bn in December, compared with Bt21.1bn in November. But the reduction was brought about hy a collapse in imports, rather than an increase in exports. *Ted Bardacke, Bangkok*

HK Telecom eyes US market

Hongkong Telecom, the territory's dominant carrier, is seeking permission to operate international fax and data services in the US, a move which will test the recent World Trade Organisation accord on opening up telecoms markets. Hongkong Telecom is seeking two licences: one for virtual private networks (VPN), a network-within-a-network which allows big companies to maintain their own internal data and voice systems, and one for fax international simple resale (ISR), which enables a carrier to lease international lines and resell services. HK Telecom is 58 per cent owned by Cable & Wireless of the UK. *Louise Lucas, Hong Kong*

Pakistan PM names cabinet

Pakistan Prime Minister Nawaz Sharif, thrust to power in elections on February 3, named a small cabinet yesterday hut left the defence post unfilled. Mr Sharif, who has pledged to restrict the size of the cabinet to show his commitment to austerity, gave important ministries to stalwarts of his Pakistan Muslim League (PML), most from the populous province of Punjab.

Mr Sartaj Aziz, PML secretary-general, was made finance minister, the post he held in the last Sharif cabinet from 1990 to 1993. Mr Gohar Ayub, former National Assembly speaker, became foreign minister and Mr Shujaat Hussain, Punjab PML chief, returned to the interior ministry. Mr Ishaq Dar, a new face, took the commerce ministry, and Nisar Ali, Water and Power, while Mrs Abida Hussain, a former ambassador to the US and the only woman in the cabinet, was given population welfare. *Reuter, Islamabad*

Quebec dubs French film law unfair

By Bernard Simon in Toronto and Andrew Jack in Paris

France and Quebec may share an interest in protecting their common language, but when it comes to dubbing English films into French, local sensitivities come first.

Quebec dubbers have threatened to complain to the World Trade Organisation over laws and informal practices pnt in place by France to protect its dubbing industry.

Beneath the dubbing row, however, are smouldering tensions over how French is spoken in France and Canada. France's measures "are purely protectionist," says Ms Patricia Gariepy, president of Quebec's Dubbing Association. "But if you go a little further into it, they're saying: 'We don't like your accent, we don't like your words'."

To an untrained ear, the French spokan by many Quabecois, especially in working-clase neighbourhoods and in rural Quebec, bears little resemblance to Parisian French.

The accents and expressions are so different that producers of The Simpsons, the popular TV show about a small-town American family, decided to dub in both Quebec and France to capture the flavour for local viewers. A recent French-Canadian documentary on twins was even aob-titled in French to help viewers in France.

Quebec built a flourishing TV and film dubbing business in the 1970s and early 1980s. Even now, the industry has revenues of about C$20m (US$14.6m) a year and employs abont 600 actors, most of them part-time.

Its reputation for quick, high-quality work was enhanced by a 1983 law that required French versions of feature films to be released in cinemas within 45 days of the English original.

Mr Fred Taleb, Walt Disney Studios' creative director in Europe, said it cost twice as much to dub in France as in Canada. Dubbing houses are paid by the hour in Canada, but by the line in France.

The problem, according to Mr Taleb, is that "there are two versions of French, and French-Canadian cannot be accepted in France."

French law has for years required all feature films (except those produced in Canada) to be dubbed in France. In 1984, an agreement between French TV networks and actors' unions restricted foreign dubbing of TV shows to a minuscule proportion of the total.

These rules have been a constant irritant in Quebec. But the issue has recently been brought to the fore by signs that French dubbing houses plan an assault on the Quebec market.

The fear is that film producers will turn their backs on Montreal-based dubbers not only for the domestic market but for the limited export market still open to the Quebec industry, such as Switzerland and francophone Africa.

One example that has sent shudders through Quebec dubbars is The English Patient, the acclaimed film recently nominated for a raft of Oscars. Dubbing started in Quebec, bnt waa inexplicably shifted to France.

Mr Taleb said the principal constraint was timing. "If we don't have time, we do one French version. If we do have time, we do a modified version for Canada."

But Ms Gariepy says: "It's hard when you're doing something well and you lose your edge because there's a law protecting someone else, and not a law protecting you."

UN body fights for place in the sun

The World Tourism Organisation recognises it must adapt, writes Scheherazade Daneshkhu

The Andaman and Nicobar islands lie like a string of pearls in the Indian Ocean – a sparsely populated archipelago dependent mainly on fishing and timber for its income. India, which owns the islands, has decided to open them up to tourism and has asked the World Tourism Organisation to prepare a development plan.

"We do not want to repeat in such a paradise the mistakes that have been made in some parts of Asia," says Mr Francesco Frangialli, its secretary-general. "We've decided with the local authorities and the government initially to open up gradually eight of the 19 main inhabited islands to avoid pollution, sex tourism and all the inconvenience that can come if tourism is not well planned."

It is the sort of project which the 21-year-old intergovernmental body, part of the United Nations, is best structured to handle. Bnt, increasingly, central governments are devolving responsibility for tourism development to local authorities or the private sector.

The trend has put the organisation in a vulnerable position, Mr Frangialli believes. It has led to the recent departure from it of countries auch as the US, Canada and Belgium. "The world touriem industry is changing. So is the world of international institutions. We shall have to adapt or contemplate going out of existence," says Mr Frangialli.

Critics of the United Nations system, to which the body belongs, may be indifferent to such an outcome. But the $423bn touriem industry is one of the world'a fastest growing and Mr Frangialli believes the need for an international organisation to circulate information about tourism development is acute as concern increases about sustainable development and environmental problems.

The rapid tourism growth experienced by east Asia and the Pacific region in the early part of this decade shows signs of slowing, which the World Tourism Organisation believes is partly due to air traffic congestion and growing environmental problems.

Since becoming secretary-general last year, Mr Frangialli's mission has been to accelerate reforms initiated by his predecessor, Mr Antonio Enriquez Sevignac, former minister of tourism for Mexico.

Mr Savignac has said that when he became secretary-general in 1990 "member countries were dropping out in droves". The organisation "had lost its importance and was going off in a totally different direction – mostly a bureaucratic, diplomatic international organisation more oriented towards protocol than towards the needs of the member states in tourism."

Those problems have largely been overcome, says Mr Frangialli, through an increased emphasis on technical assistance and the establishment of funding with the United Nations Development Programme for some tourism projects.

Many of the disillusioned countries, particularly those in the Asia Pacific region which believed the Madrid-based organisation was too Eurocentric, have rejoined; Australia, which terminated membership in 1990, has not returned, however.

Countries also left because of the high cost of membership. After reducing staff levels by one-third to 80 people, the organisation is now financially robust. Despite the lack of a US contribution, Mr Frangialli hopes to increase the WTO's budget by 50 per cent over the next two years and reduce members' contributions by up to 5 per cent.

The number of private sector companies joining the WTO as affiliate members has doubled since 1990. The challenge is to attract more in order to reflect the interests of the tourism industry in developed, as well as developing, countries.

Although the trend towards decentralising tourism is strong, particularly in countries with large budget deficits, Mr Frangialli believes the absence of a national tourism administration within government can hinder potential for growth. He cites the UK where, after two years of talks to establish e national hotel classification system, agreement between national tourism bodies was not achieved.

In Sweden, the government decided to abandon national tourism promotion in 1991, a decision which Mr Frangialli believes contributed to its industry falling behind that of neighbouring Finland.

"You do not have to be a member of the WTO to have a successful tourism industry – look at Ireland for example," says Mr Frangialli. "But some countries have not recognised the economic importance of the sector or, if they have, they have not set up an efficient structure within government to take a global view of the development of the sector. I think they are missing their chance."

Frangialli: hopes to increase budget by 50 per cent over the next two years Colin Beere

WORLD TRADE NEWS DIGEST

Super jumbo engine rethink

Plans for Kawasaki Heavy Industries of Japan to take a stake in a Rolls-Royce project to build engines for "super jumbo" aircraft are under review, following Boeing's decision to shelve plans for a 550-seat airliner.

Rolls-Royce is still keen to produce the Trent 900 engine for Airbus Industrie's proposed 550-seater, the A3XX. Airbus has said it intends to proceed with the jet in spite of the Boeing decision, but the aircraft is not due to come into service until 2003. Rolls-Royce said yesterday: "We are discussing with Kawasaki what to do in the shorter term. The time scale of the Trent 900 needs to be reviewed."

Kawasaki said last month that it would take a 6 per cent stake in the Trent 900 project, which is based on Rolls-Royce's existing engines.

The two sides had said the Japanese group's share of the project might eventually be higher than 6 per cent. *Michael Skapinker, Aerospace Correspondent*

Hutchison signs port contract

Hutchison Whampoa, the Hong Kong conglomerate controlled by Mr Li Ka-shing, is extending its port operations in Asia with a deal to build and operate the first major deep sea port in Indonesia.

Hutchison, through its port operations group, Hutchison Port Holdings, has signed a joint venture agreement with two local companies to build and run the port. The domestic companies are Indonesia Port Corporation 2, which is state-owned, and PT Bina Jasa Hantarindo.

The port of Bojonegara in West Java will have a minimum water depth of 15m and will be able to handle 2.4m TEUs (20-foot equivalent units) a year. Operations are due to start in early 1999.

The deal comes just months after the group's ambitions in the Philippines were frustrated. Hutchison, as part of a joint venture, was awarded the contract to develop the Subic Bay Freeport in August – a decision subsequently overruled when President Fidel Ramos ordered the port to re-open bidding. *Louise Lucas, Hong Kong*

Chechnya pipelines in doubt

The future of oil and gas pipelines running through Chechnya remains uncertain, despite agreements signed last November with Russia. Mr Ivan Rybkin, secretary of the Security Council of the Russian Federation, said yesterday that "there exist two variants" on an agreement proposed in November on the transport of hydrocarbons through Chechnya. The agreement also called for separate negotiations which would presumably cover more specific issues such as tariffs.

However, two outstanding issues remain to be reconciled and the status of the safety guarantee requires clarification. *Charles Clover*

■ A consortium of US and German companies is investing in a reduced iron plant in Trinidad and Tobago, and is already considering tripling its 500,000 tonnes per year capacity. Cleveland-Cliffs of Ohio and LTV Corporation of Minnesota each has a 46.5 per cent stake in the venture, with the remainder held by Lurgi of Germany.

The project will incorporate the first commercial use of the "Circored" fluidised bed technology developed by Lurgi Metallurgie. *Canute James, Kingston*

Japanese network for farm producer

By Michiyo Nakamoto in Tokyo

Dole, the US producer and distributor of food products, plans to distribute and market home-grown produce in Japan on a nationwide scale.

The company, which exports foreign produce to Japan, plans to be the first foreign company to enter the Japanese agriculture sector by selling domestically produced fresh produce. It will obtain this from independent Japanese farmers and local agricultural co-operatives throughout Japan, under the Dole brand.

Dole, which has wide experience in US-style direct distribution, could lead to improvements in tha efficiency of Japan's agriculture sector, where a complicated distribution eystem has kept prices high and created uncertainty for farmers.

Early next year Dole will buy produce from farmers on a contract basis, offering Japanese farmers a regular outlet at stable prices and providing retailers with a reliable source.

Direct selling, common in the US, is not widespread in Japan, where most farmers sell their produce at local wholesale markete. It then goes through a number of distributors before reaching shop shelves.

As a result, Japanese farmers often find that the price they can get for their produce varies from day to day, depending on the volume of supplies at a particular regional market and regardless of demand elsewhere, according to Dole.

By acting as a direct link between farmers and retailers nationwide, Dole believes it can improve efficiency of the system.

Eventually, the company aims to set up its own collection, distribution and marketing network in order to reduce prices.

Dole had sales of Y60bn ($492m) in Japan last year, largely on imports of fresh produce. However, the yen's recent weakness has hit the competitiveness of imported foods, putting pressure on Dole's sales in Japan.

EU seeks company help for Helms-Burton case

By Neil Buckley in Brussels

The European Commission is stepping up its efforts to persuade European companies to inform it if their activities in Cuba are being threatened by the US Helms-Burton Act.

The Commission needs the information to bolster its case in its forthcoming challenge to the US legislation in the World Trade Organisation. The US legislation, adopted last year, is designed to restrict foreign trade with Cuba and includes a provision allowing the US to sue foreign companies "trafficking" in former US property confiscated by the Cuban government.

Under EU "blocking legislation" adopted last October to counter the Helms-Burton Act, European companies can be prosecuted in their own member states – under the subsidiarity principle – if they co-operate with US investigations or pull out of Cuba under pressure from Washington.

Such strong measures were seen as vital to support the stand taken by the EU against the US law, which it argues is extra-territorial.

But the Brussels executive fears the threat of penalties at home may be dissuading companies from providing it with information. A notice in the EU's Official Journal last October, appealing to companies to come forward, promised to treat approaches "in the strictest confidence".

It added that information would only be included in the complaint to the WTO "subject to the consent of the persons affected".

The Commission recently repeated its appeals to member states, via their ambassadors in Brussels, to respect the need for companies to communicate with it, and to urge them to do so.

"We have always known there would be reticence about coming forward," a Commission official said. "We have reiterated our insistence that confidentiality will not be broken."

The Commission insists compilation of its dossier for the WTO case is going "very well". But trade lawyers suggest the response from European companies has been disappointing.

President Bill Clinton recently renewed a suspension on the section of the US act, Title III, allowing foreign companies to be sued. But the US State Department has compiled a so-called "watch list" of companies which may be contravening its law in Cuba.

The US last year banned executives from three companies, Stet of Italy, Sherritt International of Canada, and Grupo Domo from Mexico, from entering the US because of their links with Cuba, but the "watch list" is believed to extend to many more companies.

Caribbean exporters warn on rum tariffs

By Canute James

Caribbean rum exporters intend to back a pact between the European Union and the US to reduce tariffs on spirits, but only if tariffs are maintained on rum from other regions.

The region's producers, who say their markets in the EU and the US are worth about $275m a year, and potentially much more when they expand production, are concerned about the proposed "zero for zero" agreement between the EU and the US. They want it limited to "traditional" producers in the Caribbean and the French overseas departments.

If rums from other regions are included in the agreement, existing markets will be lost, mainly to exporters in South America and south-east Asia, and markets could be flooded by poor quality rums, causing a glut and depressing prices, according to the region's leaders.

The EU and the US agreed during December's World Trade Organisation ministerial meeting in Singapore to restart negotiations on the zero-for-zero agreement which will lead to a cut in tariffs on spirits and telecommunications.

"This was a side deal cut at the WTO conference without consultation with any other state that might have been involved," said Mr Philip Goddard, Barbados' minister for international trade and business.

Caribbean rum exporters say this new threat comes a year after the EU agreed to abolish quotas on most of their rum exports, ending 20 years of contentious negotiations.

The abolition of quotas, however, did not ease the longer term concerns of the Caribbean producers, particularly about their ability to compete after losing preferential access to the EU with the expiry in 2000 of the current Lomé Convention, a trade and aid treaty between the EU and 70 countries of the African, Caribbean and Pacific (ACP) group.

"The industry was just getting ready to take advantage of the reduction of quotas, and to face the challenge of an open market in a few years, when it has been hit by this zero for zero proposal," said Mr Evon Brown, president of the West Indies Rum and Spirits Producers' Association. "A loss of market will affect not only rum exporters, but also some sugar industries which are based on the production of molasses from which rum is made."

In letters to President Bill Clinton and Mr Jacques Santer, president of the European Commission, Mr Percival Patterson, Jamaica's prime minister, said there was an understanding that Caribbean rum exporters would have another 10 years to prepare for the removal of tariffs for third country imports.

Sterling boosted by new data

Trade deficit figures ease export fears

By Wolfgang Münchau, Economics Correspondent

The UK trade deficit with the rest of the world fell sbarply during December, easing fears about the impact on exports of the rise in sterling.

The Office for National Statistics yesterday reported a fall in the trade daficit from £1.04bn ($1.68bn) in Novamber to £845m in December. The release of the trade statistics boosted sterling, which rose 2.2 pfennigs to DM2.760.

The ONS said the trend in the data auggested tha "goods deficit is narrowing", but warned that tbey showed an erratic pattern that made them difficult to evaluate.

Exports in December rose by 1.5 per cent to £14bn, as exports to otber EU countries performed particularly well. Imports were up by 0.5 per cent at £14.8bn, again with EU imports rising hy more than imports from the rest of the world.

The deficit un trade with EU countries shrunk from around £400m in November to £200m.

For 1996 as a whole, trade with the EU amounted to nearly 60 per cent of all UK trade, hoth imports and exports, according to the ONS.

Mr Ian Campbell, director-general of the Institute of Export, said while exporters had a good year in 1996, "the current strength of sterling and level of interest rates are not helpful to a continuing export boom. The Bank of England appears to focus purely on domestic inflation".

The UK is one of the main beneficiaries of a new EU inflation index, which will be used to determine whether a country fulfils the Maastricht criteria for the proposed European single currency.

Under tha EU measure, Britain's rate of inflation, excluding housing costs, is 0.6 percentage points lower than the equivalent domestic indicator.

The EU index for January shows an annual rise in UK inflation by 2.2 per cent, compared with tha annual rise in tha UK's official retail price index of 2.8 per cent in January.

Mr Simon Briscoe, UK economist at Nikko Europe, said: "The headline numbers lcok superb, hut once you strip ont oil and erratica the underlying picture is grim. In fact we have seen today the first piece of evidence that the trade position is being damaged."

UK exports excluding oil and erratic Items stood at an index of 139.2 in December, down from a third quarter index of 142.0.

An important factor behind the fall in the headline trade deficit was the rise in the surplus on trade in oil from £433m to £664m. Export volumes were up in all the main commodity groups except basic materials and semi-manufactures. Exports of capital goods rose hy 3 per cent.

Forces minister urged to quit

By George Parker and Bernard Gray

Mr Nicholas Soames, the armed forces minister, last night faced a growing clamour for his resignation, after he admitted "very serious failings" in his department over its handling of the ill-health reported by Gulf War veterans.

Mr Soames placed tbe blame on civil servants and service personnel at the Ministry of Defence for failing to brief him properly on tbe use of toxic pesticides hy British forces during the Gulf War. As a result of his briefings Mr Soames repeatedly misled parliament between July 1994 and September 1996, saying that the pesticides had not heen widely used, when in fact there had been extensive spraying of tents and equipment.

Tba oppoaltlon Labour party accused Mr Soames of being "negligent, complacent and incompetent" for failing to question his officials and demanded his resignation; one former Conservative minister said his position had become untenable.

Press Association

Under fire: Nicholas Soames facing questions from the committee of MPs yesterday

Mr Soames yesterday appeared before the House of Commons defence committee to explain why be misled MPs about the organo-phosphate (OP) pesticides. Publishing the results of an MoD inquiry into the case, ha claimed his answers bad been based on "flawed and inaccurate" advice from civil aervants. Disciplinary proceedings had heen started against those involved.

Mr David Clark, Labour's chief defence spokeaman, said it was not good enough for the minister to blame officials: "I believe he was indolent and didn't read his brlafs properly – he is entirely to blame."

Mr Soames was accused by members of the committee of failing to question the advice he was receiving from civil servants, at a time when MPs and tbe media were claiming that OP pesticides could be the cause of veterans' ill-health.

Mr Soames rejected calls for his resignation: "If l had wilfully mislead parliament l would resign, but there is no suggestioo of that."

N Ireland bid to attract investors

By John Murray Brown

Northern Ireland's Industrial Davelopment Board, tbe region's inward investment agency, is for the first time to invest in a speculative property development, building a £2.5m ($4m) customised factory in the Springvala Business Park in west Belfast. It is a bid to attract foreign companies in the rapidly growing international call centre sector.

"We recognise the commercial risk, hut we think the investment is worth it," said Mr Trevor Killen, head of call centre promotions at IDB.

The number of call centres in the Republic of Ireland is growing at a faster rata than in other European Union states. But the IDB initiative comes amid signs that the call centre industry in Dublin is starting to experience skills shortages. Already a number of US investors based in the republic have been advertising vacancies in Northern Ireland newspapers. With unemployment at 9.6 per cent, Northern Ireland offers an attractive labour pool.

The IDB has about 40 advanced factory sites in a property portfolio valued at £30m, but this is the first time the IDB has put money into a customised factory without first identifying the client company.

Baroness Denton, the Northern Ireland economy minister, predicted there would be "a significant husiness opportunity in Europe for such call centras" and said the decision to invest would assist the international drive of the IDB.

A European Union discussion paper pnhlished last September estimated there were already 6,000 call centres employing 130,000 people. The UK accounted for 4,000 call centres, the report said.

A more recent survey, conducted by Datamonitor in London, suggests a further 400,000 jobs could be created in the sector between now and 2005, as European companies look to take advantage of the advances in telecommunications to centralise services. Last August the IDB announced that Abbey National bank and Prudential Assurance were setting up call centres. National Australia Bank conducts its UK-wide debt factoring from Northern Ireland, while British Telecommunications' Cellnet customer services operation is run out of Belfast, the capital.

Labour aims to 'move forward' monetary policy

By Robert Peston, Political Editor

Mr Gordon Brown, the shadow chancellor of tbe exchequer, last night paved the way for the eventual transfer of interest rate decisions to the Bank of England, the UK central bank, with a series of proposed reforms at the Treasury and tha Bank.

He had "no intention of reversing the reforms" of monetary policymaking made hy the government since 1992, involving monthly meetings between the Bank's governor and the chancellor.

But Mr Brown wanted to "move the process forward", by reducing tbe personal roles of the chancellor and governor, making the system more predictable.

He also confirmed that Labour would adopt the government's inflation target of 2.5 per cent or less.

His main reforms include:

- Scrapping the Treasury's panel of independent forecasters, the so-called "wise men".
- Creation of a new council of economic advisers – reflecting "a wider range of economio expertise" – which would "be asked to give advice on monetary policy directly to the chancellor, to prasent a pre-Bndget report ... and to advise on otber areas of policy".
- Creation of a new monetary policy committee at the Bank which would "decide on the advice from the Bank of England, publisbed in the monthly minutes, to be given to the chancellor".
- Holding tbe monthly meetings between the chancellor and the governor "at a regular time and announced a numher of months in advance".
- Establishing a convention that all interest rate decisions "must be made at the meeting, announced immediately afterwards and properly justified to the public".
- Changing tbe membership of the Bank's court, its ruling hody, to "reflect a wider range of interests from the City, both sides of industry, and the regions, Scotland and Wales".

Uncertainties remain about the proposals, such as the mechanism for appointing the three or four new members of the monetary policy committee.

Mr Brown also failed to specify a timetable for moving from these reforms, whicb would take place within weeks of the general election, to the granting of "operational responsibility for setting interest rates" to the Bank. He said the Bank would need to demonstrate "a successful track record in its advice".

Half-way house proposed for Bank of England

Shadow chancellor of the exchequer would base model on Bundesbank or Federal Reserve

Mr Gordon Brown, the shadow chancellor of the excbeqner, last nlght outlined far-reaching proposals which would go a long way to furnish the Bank of the England, the UK central bank, with operational independence.

Mr Brown emphasised he was not proposing full central bank independence in the ways this term is understood in connection with the US Federal Reserve or Germany's Bundesbank.

Instead he is proposing a half-way honse: the Bank wonld receive what he calls "operational responsibility", and this may be extended to full independence once the political climate is ready for such fundamental reform.

Mr Brown's main argument for change is based on his criticism of the "Ken and Eddie show", which he wants to see replaced with a regular monetary committee, consisting of the governor and depnty governor of the Bank of England, plus three or four ontside advisers on fixed-term contracts.

The monetary committee Mr Brown wants to install is modelled closely on the Federal Reserve's open-market committee or the Bundesbank's central council. But in the US and Germany the ontsiders are regional representatives, while Mr Brown appears to be looking towards "respected experts in monetary policy, analysis and practice", presumably economists.

It is understood that Mr Brown's intention is to make it more difficult for a Lahour cbancellor to overrule the Bank of England. A Labour chancellor would therefore be ring-fenced from unwelcome demands from inside his own party.

One important hallmark of the proposals is that they amount to a voluntary shift and will probably not require legislation.

The statutes of genuinely independent central hanks are normally governed by law, or in the case of the future European central bank, hy constitution.

Full central bank independence, however, is still very much on the cards. But Mr Brown believes that this would require a strong degree of public – possibly even cross-party – snpport.

His proposals have met with the common criticism that independent central banks are fundamentally undemocratic. But there are also critics of the workability of such a new regime.

Among those is Mr Roger Bootle, chief economist of HSBC Holdings who was recently appointed to the panel of independent Treasury advisers, the so-called "wise men". "If yon bring in outside men who are salaried persons, when they are on a contract [with the Bank] then they are no longer outside experts. Who are these people going to be: presumably no City people. So yon end up with academics," he said.

Bnt he admitted that it was advantageous to shift towards a more consensual process.

Under Mr Brown's proposals, the government would set the inflation target while the Bank will be in charge of implementstion.

Mr Brown said: "Our pledge to families and businesses is to huild a strong economy with low inflation and interest rates as low as possible ... we now know that far from tbere heing a long-run trade-off of a little more inflation for a little less unemployment, an economy based on sound foundations is the only route to low inflation and low unemployment."

This is the main argument of independent central hankers. If this was to emerge as the consensus view, true central bank independence may become more likely.

Wolfgang Münchau

UK NEWS DIGEST

'Green' pledge by opposition

Mr Robin Cook, shadow foreign secretary, yesterday vowed to make the environment central to the foreign policy of s future Labour government. "I want to green the Foreign Office," be said as be unveiled a taskforce – made up of well-known environmentalists, "green"-minded academics and business people – to provide advice to a Labour administration.

"I'm convinced that as the world enters the 21st century, environmental issues will move higher up the international agenda. I want to give them a helpful shove," he said. But be added that the environmeot ranked equally with other priorities sucb as a "more constructive relationship with Europe" that would give Britain a stronger voice on the environmant. The general election is expected on May 1 and, should Labour come to power, it will face an immediate flurry of international negotiations on the environment, as well as taking over the presidency of both the European Union and the Group of Seven industrialised nations early in 1998.

Mr Malcolm Rifkind, the foreign secretary, made his first speecb on the environment only last month, and no foreign secretary has ever before sought to dress himself up in green clothes. *Leyla Boulton*

■ FILMS

BBC to back new consortium

BBC Films is backing a consortium of UK film producers – responsible for pictures such as *The Commitments*, *Dance with a Stranger* and *Restoration* – to bid for £39m ($63.2m) in National Lottery funding. The new company, Studio Pictures, which brings together Alliance Communications and Electric Pictures will today formally announce its hid.

Studio Pictures hopes its strategic alliance with BBC Films – whose credits include *Land and Freedom*, *The Snapper* and *Truly, Madly, Deeply* – will help its hid. The BBC will provide a significant development fund for new films and a firm commitment to broadcast a number of Studio Pictures' films. The consortium, which intends to prodnce more than 50 new Britisb films involving a total investment of £180m, is being led hy Mr George Faber, a former BBC drama chief. The deal with the BBC is the latest example of the BBC exercising its commercial judgment to back applicants for franchises. *Raymond Snoddy*

■ MOTOR INDUSTRY

Company cars preferred to cash

Almost two-thirds of companies now offer employees and directors a casb allowance in lieu of company cars. But fewer than 10 per cent of eligible drivers are taking up the offer, according to research by remuneration analysts.

The low take-up confirms that "tbe company car remains an attractive benefit, in spite of the rising hurden of company car taxation on the individual", according to Mr David Atkins, editor of the Monks Partnership's annual survey of companies' car policies. The survey concludes the "no hassle" factor is important – for example, not having to buy or sell a car, worry about depreciation or arrange tax.

The trend for companies to offer cash alternatives took off in the early 1990s after a series of sharp increases in the assessed tax benefit of company cars to their drivers. The hig rises ended in 1994, however, after the government concluded company cars bad reached tax "neutrality" compared with the cost of running a car privately.

● Franchised car dealers may face extinction or marginalisation by competition from new communications technology such as the Internet, independent car "supermarkets" and hrokers, according to an analysis from Mr John Bowell, an Andersen Consulting associate partner who has specialised in automotive distribution both in Europe and North America. *John Griffiths*

■ LEISURE

Cruise holiday market expands

The UK market for cruise holidays continned to expand last year with a 22 per cent increase in passenger numbers to a record 429,201. They are expected to increase further this year to at least 500,000. The Mediterranean maintained its position as the number one destination, with more than 173,000 travellers. As well as expanding to traditional destinations, the cruise lines are offering short breaks and "cruise and stay" bolidays combining ship and hotel stays. Two new arrivals in the cruise market, the tour operators Airtours and Thomsoo, completed their first full year of operation while P&O's 1,760-berth Oriana, whicb added 10 per cent to UK capacity, completed its first full programme. *Charles Batchelor*

■ RANDOLPH FIELDS

Virgin Atlantic co-founder dies

Randolpb Fields, who co-founded Virgin Atlantic with Mr Richard Branson in 1984, bas died aged 44. Fields, a lawyer qualified in botb the US and UK, fell out with Mr Branson within a year, then lost £1m ($1.6m) attempting to start another airline, Highland Express. He became wealthy again through a legal business generated by Lloyd's problems coupled with his expertise in "insurance archaeology", establishing huge claims for clients on policies often decades old.

Cinema/Nigel Andrews

Ambushed by the classics

A literary classic is a terrible thing. It sits there like Queen Victoria, defying one to amuse it, forbidding one to abuse it. Can one – should one – make a modernist, post-Freudian film of Henry James's *The Portrait Of A Lady*? And bow to film Arthur Miller's period play about the Salem witch-hunts, *The Crucible*?: it is surely a creature of its theatrical origins, not to mention its McCarthyite resonances.

In the event, Jana Campion of *The Piano* and Nicholas Hytner of *The Madness Of King George* have a go et James and Miller respectively. Neither succeeds, but both failures are interesting and educative.

Campion does not seem to me to "get" Henry James. In taking the lace-edged repression out of this master of primness's best-known work, she takes out the ambiguity and fun too. The fascination of James is that he is a *jewelled* evader *writing about* jewelled evaders, not that be is a swashbuckling deconstructionist before his time.

But Campion is a film-maker who does not do things by halves, or even by other people's wholes. She must give us an Isabel Archer (*Nicole Kidman*) who has sex fantasies, a Gilbert Osmond (John Malkovich) ao creepy that he is Eurotrash on legs and several surrealist *coups de cinéma*, notahly, a trayful of dismembered talking lips masquerading as party canapés.

Campion and screenwriter Laura Jones heve seized on James's book as an *ur*-feminist text, which in a sense it is: e pre-cognitive explosion in the late millennial sex war. Isobel is a free-spirited Yank ambushed by European male chauvinism. Her compatriot Ralph, a sickly-beautiful soul deftly played by Martin Donovan, cannot bold the ambitious girl back from her perverse desire to prey on other predators. So off she goes to Florence, Rome and other aviaries, not realising that culture rhymes with vulture and that Gilbert's friend Madame Merle (Barbara Hershey) has a name that means blackbird. She and Osmond between them will peck the poor girl's eyes out, if they can.

James would be popular with today's Euro-sceptics. For him Europe, though culturally seductive, was the sick soul of the world. It preserved all the hierarchies of class and sex that America had junked, at least in James's mythology. So, far from being more refined than the new world, Europe was really more savage and primitive. Campion understanda this paradox; but she understands it like a lecturer, not an artist.

Her over-obviousness is like chalk grating on a blackboard. Kidman's heroina must look pale and scraggy, like some pre-suffragette lost in the *fin de siècle*. The ballbreaking Madame Merle must be glimpsed in one scene sitting by a statue that has lost, yes, its genitalia. And virtually the whole story must be presented as an interior landscape, so that we never really see Florence or Rome, just apartments suffocating in opacity. (As artists use grey wash to scumble canvases, fancy film-makers diffuse scenes with smoke.)

THE PORTRAIT OF A LADY **Jane Campion**
THE CRUCIBLE **Nicholas Hytner**
MARS ATTACKS! **Tim Burton**
CONSPIRATORS OF PLEASURE **Jan Svankmajer**

In *The Piano* Campion created a dark, sensational fable to match her own brand of militant movie poetry. In *Portrait* sbe takes a poor departed author and tries to shake his work into a polemical life it never had and a psychological hindsightedness it would never have sought.

Nicholas Hytner's *The Crucible* goes to other extreme. No one has shaken new life into Arthur Miller's play at all, least of all screenwriter Arthur Miller. Hytner is a bold innovator on stage – who else has brought deck chairs and cacti to Handel? – but he seems literal-minded on screen.

For this drama of superstition and persecution, he and his crew erected a "real" 17th-century village on a Massachusetts island. Then they dressed the cast in euthentic garb, provided them with authentic dirty teeth and fairly authentic accents and threw in (lesa intentionally) authentic mosquitoes, so that cast members became ill.

Isn't there a moral there? Who cares about realism of setting, if the actors are in no condition to give us realism of feeling and thinking? Even in full bealtb I would not believe Daniel Day-Lewis and Winona Ryder as the witchcraft-accused John Proctor and the young bysteric who points a fatal finger. When not hiding inside e character role (*A Room With A View*, *My Left Foot*), Day-Lewis is a surprisingly narrow-range actor: a furrowed brow and an earnest bark. And Ryder is all virginal incandescence trying to slum it.

They are acted off the screen by Paul Scofield's inquisitor, his charred voice and hydraulic eyelids suggesting a human cremation machine, and by Joan Allen's superb Elizabeth Procter. Allen is so effortlessly in period, in role, "in feeling" that her dialogue seems no more scripted than the real tears running down her blanched and stricken face.

The film ends up as little more than a balance sheet of performances, Hytner and Miller fail to make a conceptual leap in determining what different beast cineme is from theatre. People walking around the landscape are not enough, if their only reason for walking is to find different places in which to talk. *The Crucible* is a two-bour yammerfest, uninformed by any true sense of a time and society, or any true sense of a film-maker excited by film's dimensions.

★

Who needs great literary sources when the week's best movie is based on a 35-year-old series of bubblegum cards? From the director of *Batman* and *Ed Wood* comes *Mars Attacks!* Tim Burton'a science fiction comedy is unpolluted by any *dignitas* whatever. It is, *inter alia*, a nihilist's rude and glorious riposte to *Independence Day*.

The president is Jack Nicholson at his slimiest: you would not buy a used White House from this man, let alone entrust him with the world's survival. And the army of guest stars fending off the little green aliens includes Glenn Close (first lady), Annette Bening (Tantric groupie), Pierce Brosnan (pipe-smoking superboffin), Danny DeVito (Las Vegas gambler surprised by death) and Rod Steiger (nuclear-happy General).

The American public bas largely shunned this film, no doubt supposing it un-American. Highlights include the ray-gunning of the entire House of Representatives, reduced to glowing skeletons, and a fair-to-nasty presidential demise involving impalement by a Martian flag.

But never mind ray-guns and dead presidents. The true zapping force here is Burton's spray-gun imagination. It demands the right to daub witty asides and dispense its glow-paint primitivism – the popeyed, bulge-brained, cape-swirling aliens may be vicious but they are also enchanting – even with a Warners budget that would pressure most directors into a respectful giantism. And who could resist a film in which Tom Jones, no less, saves the world from destruction, with a little help from that even more pensionable crooner Slim Whitman?

Burton's film could share double-feature honours wilb Jan Svankmajer's *Conspirators Of Pleasure*. After *Faust*, the Czech surrealist's second feature is another stop-motion delirium in which human beings chug about the landscape, seeking pleasure, pain and bizarre combinations of the two. We cannot printably describe the uses made of a giant chicken's head, a bucket of live fisb and a machine for making love to television images. We only suggest you find out about them yourselves.

Pre-suffragette lost in the *fin de siècle*: Nicole Kidman in 'The Portrait Of A Lady'

Concerts

Dramatic Debussy

Somehow three concerts of music by Debussy have been caught up in a tidal wave. Under tha title *Painter of dreams*, they have been swept up into the all-encompassing Radio 3 festival *Sounding the Century*, which aims to survey the music of the last 100 years before the millennium is up.

The festival began a week earlier with *The Rite of Spring* live on television, part of e substantial overview of Stravinsky's work (an exhaustive look at Ligeti is also underway). By these standards the Debussy was a meagre offering. As a writer of orchestral music, he turned out enough for one or two more concerts than this and there is all the other music (vocal, chamber, instrumental) too: I hope be will get his due later.

The London Symphony Orchestra's short series of Debussy looked as though it was originally meant to stand alone. Quality, not quantity, was what was on offer – but happily it had that in abundance. The LSO pleys with more precision these days and without the old vulgarity, which is just what Michael Tilson Thomas bas in mind for Debussy.

The common idea of the composer as a musical impressionist, sketching Manet-like reflections in the water, was not at all how he came across in the first pair of the LSO'a three programmes ("painter of dreams" was not, as it turned out, an aptly chosen label). Tilson Thomas does not want any vagueness at all. He hears clear timbres, exactly chiselled textures, even crisp-cut rhythms – Stravinsky is not that far eway.

Everything came together in the scintillating performance of *La Mer*, which ended Thursday's concert. This is evidently a Tilson Thomas favourite (be brought the same work on tour with tbe San Francisco Symphony Orchestra last year) but witb tbe LSO it was finer in every sense of the word, subtler, more flexible, more European if you like. I have rarely beard a performance of *La Mer* with so mnch character in tbe detail or more elating in its drama and atmospbere.

Neither the *Nocturnes* nor *Jeux* (which opened the second programme on Sunday) was quite that impressive, perhaps because the LSO took time to hit its keenest form. Thursday's soloists, however – Andrew Marriner in the First Rhapsody for Clarinet and John Harle in the Rhapsody for Saxopbone, virtuosos both, and tbe immensely promising baritone Peter Mettei in the *Trois Ballades de François Villon* – were uniformly excellent.

So far, this might have seemed a high-quality offering lacking in real weight, bnt a rare, full performance of *Le Martyre de Saint Sébastien* changed all that. The incidental numbers thet Debussy wrote for this strange theatrical spectacle, amounting to a good hour's music, have been a particular passion for Tilson Thomas, whose arguments for the piece in print were eqnalled by the beanty he brongbt to it in performance. With three vocal soloists, a cboir (tbe confident London Symphony Chorus) and a French narrator (Leslie Caron, over-miked but impassioned), it is not cheap to pnt on. The LSO gave Tilson Thomas the donbt and were handsomely rewarded.

Richard Fairman

Perth Festival/David Murray

Milk baths and Odorama

Down near the bottom left-hand corner of Australia, just four miles from the Indian Ocean, is Perth: genteel, prosperous and startlingly clean. Though its residents like to call it "the most isolated city in the world", they can hardly be lonely; there are 1.2 million of them.

Long before the boom of the 1970s, when the city began to acquire its striking high-rise profile, Perth has had an annual Festival of the Arts. That is now in the middle of its 45th season, in blissful summer weather.

The central business district of the city is lively and sociable during the day; but the shops close briskly et 5.30. Vices like eating and drinking late are confined to Northbridge, e dilapidated Soho-like area on the wrong side of the railway tracks (which is alao where the excellent art gallery and PICA – the equivalent of London's ICA – are). Perthites do e lot of sport and go to bed very early and rise et 5 or 6am; understandably, tbe Perth Festival likes to ginger things up, especially since David Blenkinsop assumed its directorship.

In fact serious music, theatre and films are its mainstays, just like Edinburgh on a smaller scale; but there are also unclassifiable "theatre-pieces" (some free, with A$3m dollars' worth of enlightened sponsorship by the state lottery), whicb have genereted this year's invaluable "scandals".

The first sbow I sew was *AATT...ENEN...TIONON*, performed by the French dancer-choreographer Boris Charmatz with two colleagues, male and female, "with nothing but a T-shirt separeting their heads from their sexuality".

I was unsure whether the spelling of the title – "Attention", *evidemment* – signified a beavy stammer or just heavy emphases; but the choereography was tautly characterised, with tbe three dancers racked one above another on a tier of platforms, forever invisible to eacb other in tbeir intense, music-less convolutions, and yet slipping into eerie synchronies. Provocative and fascinaling, but eminently serious.

The enraged letters published in the *Western Australian* were written before tbeir autbors could heve seen the piece. There was less fuss about the Frencb company Royal de Luxe's grossly bilarious send-up of Hollywood ancient-Egyptian epica, *Le Péplum*, which featured not only Odorama (audience continually sprayed with scents, each more disgusting than the one before) and a piano catapulted across the stage to destruction, but a scene wbere the Pharaob and his new sister-wife stripped off to await the filling of their bath by three servants with an endless ritual supply of milk-cartons.

It reminded me of those three eccentric "Egyptian" buskers who used to haunt Leicester Square. Edinburgh would love it. It made that night's "Mozart from Prague", a concert-performance of *Don Giovanni* without the arias he added for Vienna, seem a bit tame – or perhaps that was because tbe Virtuosi of Prague *were* rather tame, as conducted by Hilary Griffiths. Properly musical, without doubt; but there was no demonic thrust in tbe overture, nor mucb fateful weight for tbe finale.

The singing cast made distinguisbed amends. The three sopranos, all American – Teresa Ringholz, Janice Hall and Judy Berry – were impressively cultivated, tbough only Berry'a Zerlina sounded fully stageworthy. If Andrew Collis's Masetto was over-dignified for his loser's role, be still gave us a ripe study: Tomas Bartunek sang a finely lonche, greasy Leporello, and Roman Janal's arrogant Giovanni was a stylish model. They were all very good to bear.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-6718345
● Radio Philharmonisch Orkest: *with conductor Oliver Knussen* and pianist Peter Serkin perform works by Stravinsky and Tippet; 3pm; Mar 1

■ BERLIN

DANCE
Deutsche Oper Berlin Tel: 49-30-3438401
● Ballett der Deutschen Oper Berlin: perform "Dream Time" to music by Takemitsu, choreographed by Jiri Kylian, "In the Middle Somewhat Elevated" to music by Thom Willems, choreographed by William Forsythe and "Heimkehr" to music by Mahler, *choreographed by* Dietmar Seyffert; 5pm; Mar 1

OPERA
Staatsoper Unter den Linden Tel: 49-30-20354438
● Elektra: by R. Strauss. Conducted by Simone Young, *performed* by the Staatsoper Unter den Linden. Soloists include Uta Priew, Deborah Polaski and Ulla Gustafsson; 8pm; Mar 2

■ CHICAGO

OPERA
Civic Opera House & Civic Theatre Tel: 1-312-332-2244
● *Turandot: by Puccini.* Conducted by Bruno Bartoletti, performed by the Lyric Opera of Chicago. *Soloists include* Gabriele Schnaut, Ben Heppner, Kallen Esperian and Alexander Anisimov; 2pm; Mar 2

■ COLOGNE

CONCERT
Kölner Philharmonie Tel: 49-221-2040820
● *Thomas Zehetmair and* Siegfried Mauser: the violinist and pianist/narrator perform works by Killmayer, Rihm, Furrer and Holliger; 11am; Mar 2

EXHIBITION
Schnütgen Museum Tel: 49-211-2212310
● Beuys und das Mittelalter: exhibition examining the influence of the Middle Ages in the work of artist Joseph Beuys. Common *characteristics with work from* the period include usage of colour as symbolism; to Apr 27

■ LONDON

CONCERT
Royal Festival Hall Tel: 44-171-9604242
● Vienna Philharmonic Orchestra: with conductor *Daniel* Barenboim perform works by Mozart and Bruckner; 7.30pm; Mar 1

EXHIBITION
Dulwich Picture Gallery Tel: 44-181-6935254
● Dramatic Art: Theatrical Paintings from tha Garrick Club: exhibition of paintings collected *from the London theatrical club*, featuring works by Johan Zoffany, Sir Thomas Lawrence, George Clint and Samuel de Wilde; to Mar 16
Victoria & Albert Museum Tel: 44-171-9388500
● Experiencing Modernity: The Arts of Reform and Persuasion 1885-1945: exhibition exploring the role designs *have played in* shaping society's opinions and values, *rather* than reflecting *them*; from *Mar* 1 *to* Jul 1

■ MADRID

EXHIBITION
Ex-MEAC - Museo Español de Arte Contemporaneo Tel: 34-1-5492453
● Colaboraciones: Artistas y Grabadores: exhibition featuring *collaborative work from 28 artists* covering a ranga of styles and themes, with prints, paintings and sculptures and both abstract and figurative works. Artists featured include *Clinton Adams, Cinda* Sparklin, Wulf Barch and Susan Zimmerman; to Mar 9
Fundación la Caixa Tel: 34-1-4354833
● Amelia Peláez, Frida Kahlo, *Tarsila* do Amaral: exhibition showing the history of Modernism and the roots of contemporary art in South America through the work of three female artists: *Amelia* Peláez, *Frida* Kahlo and Tarsile do Amaral. On display are about 100 works, establishing their similarities and differences, the contact they had with European *movements*, the Influence of Paris and the US in their work, and their attempts to discover the roots of their respective countries; to Apr 27
Museo Nacional del Prado Tel: 34-1-3302800
● Los Cinco Sentidos y el Arte: *display of more than 150 works*, selected from collections in both Europe and the US. Featured artists include Carracci, Acrimboldo, Titian and Rubens; *from Feb 27 to May 4*

■ NEW YORK

EXHIBITION
Brooklyn Museum Tel: 1-718-638-5000
● American Paintings: Ashcan and Modernist: display of works taken from the museum's own collection of *paintings* from the first half of the 20th century. Featured artists include Florine Stettheimer, Marsden Hartley and Georgie O'Keeffe; from Mar 1 to Jun 29
MOMA - Museum of Modern Art, New York Tel: 1-212-708-9400
● For Twenty-five Years: Landfall Press: *this survey exhibition* of about 35 works celebrates the 25th anniversary of Landfall *Press, a leading publisher of* contemporary prints in Chicago. It focuses on the more than 80 established and emerging artists who have collaborated on lithographs with the company. *Included* are works by San Francisco painter and ceramicist Robert Arneson and the painter Ed Paschke; to May 16

■ PARIS

CONCERT
Théâtre de la Ville Tel: 33-1 42 74 22 77
● Takács *Quartet: perform works* by Mozart and Brahms. Soloists include clarinettist Ronald van Spaendonck; 5pm; Mar 1
Théâtre des Champs-Elysées *Tel*: 33-1 49 52 50 50
● Requiem: by Brahms. Conducted by Michel Piquemal, *performed* by the Choeur Régional Vittoria d'Ile de France. Soloists include *soprano Danielle* Borsi, baritone Terry Félix, and pianists Susan Manoff and *Christine Lajarrige*; 11am; Mar 2

EXHIBITION
Hotel de Sully Tel: 00-33 142744775
● *Portraits* d'un esthète De Marlene Dietrich à Mick Jagger: exhibition of work by photographer Cecil Beaton who produced influential fashion *shoots for Vogue magazine* end Harper's Bazaar. The display includes two self-portraits and portraits of such notables es Marlene Dietrich, Greta Garbo and *Jean Cocteau; to Mar 18*

■ PHILADELPHIA

EXHIBITION
Philadelphia Museum of Art Tel: *1-215-763-8100*
● Encounters with Modern Art: Works from the Rothschild Family Collections: exhibition of works from the family collections of the late Herbert and Nannette Rothschild. The display features some 97 paintings, drawings, *printe* and sculptures from *major* European schools end includes works by Gris, Mondrian, Brancusi, Picabia, Göncharova, Arp, Balla, Léger, Matisse, *Picasso*, Rivera, *Schwitters and* Severini; from Mar 2 *to* May 11

■ ROME

CONCERT
Accademia Nazionale di Santa Cecilia Tel: 39-6-3611064
● Orchestra dell'Academia di Santa Cecilia: with conductor Ulf Schirmer *and pianist* Maurizio Zanini perform works by Mendelssohn, Mozart end Beethoven; 5.30pm; Mar 2, 3 (9pm), 4 (7.30pm)

■ VIENNA

OPERA
Wiener Staatsoper Tal: 43-1-514442960
● Don Giovanni: by Mozart. Conducted by Andreas Fisch and *performed* by the *Wiener* Staatsoper. Soloists include Julia Isaev and William Shimell; 6pm; Mar 2

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Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Economic Viewpoint · **Samuel Brittan**

New role models for old

Most economies that feature in international beauty contests have passed their best – but the Netherlands and New Zealand are worth a look

One of the more amusing tasks of the economic commentator ia to watch tbe changing beauty parade as different countries go in and out of fashion as role models for others to copy. Tbe cboice of model is sometimes based on misunderstanding and is often out of date. And sometimes a model passes from one end of the political spectrum to another.

In the 1960s, French-style indicative planning was all the rage in the UK – even as French planners came to see their task as that of introducing more competition to prepare for the single European market. The German social market economy was held up as an example by the neo-liberal wing of the British Conservatives long after it should heve heen clear that the policy emphasis bad shifted from the market to the social side. Eventually the pfennig dropped end the German model was appropriated hy the Labour party.

It is nevertheless sad to see an economist of Richard Layard's standing still lauding the German example despite the manifest evidence that it is limping badly (*What Labour Can Do*, Warner Books, £6.99). This has been accepted by Mr Helmut Kohl, the German cbancellor, who signalled a desire to tilt back towards the market side when be acted as master of ceremonies at the celebration of the 100th anniversary of the hirth of Ludwig Erhard, the German postwar statesman whose slogan was "Prosperity Through Competition".

The US is often beld up by free-market writers as an example because of its success in securing high job growtb without inflation. But it has never qualified for model status in Europe because of its underclass and its otber social problems. The south-east Asian model is also praised, but usually by those wbose free-markel enthusiasm is tempered by a yearning for political authoritarianism and barsb enforcement of cultural norms. A more acceptable role model may be that of New Zealand, whicb began a series of liberalising reforms under a Labour government in the 1980s, a process which has since been continued by governments of different political persuasions.

There is, however, a newer recruit to the rank of such models, the Netherlands. When I visited Boon for the Erhard celebrations, German policymakers told me their country was ahead of France in structural reform, but gladly conceded the Netherlands was ahead of both of them. This is corroboreted by looking at recent indicators.

Dutch economic growth has been faster in the past five years than either German or French. It has been sligbtly higher than the UK's and exceeded only by the US. Inflation performance has been better than in Germany. But, above all, unemployment is now well below that of all the large European Union countries and only slightly higher than in the US. In contrast to France and Germany, the Dutch public sector deficit last year was already below the Maastricht criterion of 3 per cent of gross domestic product.

The Dutch model is particularly interesting because it has taken place within a German-type consensus economic system, witbout introducing more individnalistic or atomistic Anglo-Saxon procedures. A key feature bas been the moderation shown in centrally guided pay negotiations, whicb produced a marginal fall in gross real wages in the five years until 1996. Bnt in contrast to the UK, where a similar outcome bas been produced, fairly low unemployment bas been combined with substantial growth in the employed labour force.

In the beyday of its natural gas boom, the Netherlands had been known for its high social security floor, which made work almost optional for many people. But unemployment benefits were cut in 1985; and in the early 1990s conditions for payment were tightened, as they were for disability. Public expenditure has fallen since 1985 from 60 per cent of GDP to 50 per cent. The employers' social security tax has heen slashed and employee contributions raised nearly as much in compensation. But consensus-style pay policies have pravented these imposts from being passed on in wage increases. At the same time other social democrat features bave remained, including e 60 per cent top personal tax rate and a system that is redistributive to poorer earners.

There have also been supply-side reforms, such as tighter anti-cartel laws and a big extension of shop opening hours. Of course, not everything in the garden is lovely. Structural unemployment – which needs for a cure more mobility and relative pay changes – bas remained high. Employment growth bas relied too much on an increase in part-time jobs. The Dutcb success looks like an incomes policy working as social democrats such as Prof Layard would wish it to do.

Can the Dutch example spread to Germany and other European countries? Probably not, according to the two authors of a paper in the Goldman Sachs European Economics Analyst – one of wbom, Thomas Mayer, is German. Thay argue that, the smaller the country and the more equal the existing incoma distribution, the greater the chances of introducing adjustment through consensus and centralised methods. Their argument is reinforced by the experience of at least two other economies on the periphery of Germany, Austrie and Norwey. These have both lower unemployment rates than Germany and faster growth rates.

The Goldman Sachs authors do not believe Germany can reacb a social consensus to adjust fiscal, labour and social policies on Dutch lines. Procrastination will, they believe, render the existing structures in Germany and other large countries unsustainable "and induce market forces finally to sweep them away".

If we are to have a role model at all, my preference would be for New Zealand. Recent reforms transformed that country's economy from one of the most regulated to one of the most liberal in less than a decade. Like the Netherlands, it retains a strong social safety net, yet is based on decentralisation rather than agreements among social partners. As a result, New Zealand's growth is faster than the US's, its inflation is lower than that of Germany or France, and its unemployment is lower than the Dutch rate.

Above all, the New Zealand reforms contain many entrenched constitutional elements, such as operational independence for the Reserve Bank in pursuing a politically determined inflation target. And its fiscal reforms, in the words of a report from the International Monetary Fund, mean "transparency and accountability now pervada the way government operates".

Naw Zealand has the same advantage as the economies peripheral to Germany's in being reletively small. It was, therefore, possible to introduce many reforms together over a short period so the losers from some of them could quickly realise the benefits from the total package.

It would, nevertheless, be worth trying to follow its example in the UK, a country with similar parliamentary traditions. The market-based reforms should appeal to radical Conservatives and the constitutional elements to Blairites. And if continental countries prefer to reform on different lines, it should be clear – once the dust of the coming British election is out of the way – that there can be room for a thousand economic flowers under the euro sun. But I don't expect British politicians to believe me now.

A new league table

% change between 1991 and 1996, unless stated

Key economic indicators	US	Neths	Germany	France	UK
Real GDP	13.6	11.4	7.2	6.8	10.6
Consumer prices	15.1	13.3	16.5	10.4	16.9
Labour force	6.0	8.0	-1.4	2.4	-2.3
Employment	7.7	6.7	-5.3	-0.9	-1.7
Unemployment rate (latest %, OECD basis)	5.3	6.4	10.9	12.7	8.3
Real compensation per employee[1]	2.4	-0.6	8.0	3.7	-0.9
Public sector deficit as % of GDP (1996)[2]	1.6	2.6	4.1	4.1	4.8
Current account as % of GDP (1996)	-2.1	4.4	-0.7	1.3	-0.1

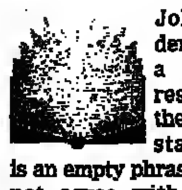
1. In the business sector 2. Maastricht definition

Source: OECD; Goldman Sachs

BOOK REVIEW · John Kay

A STAKE IN THE FUTURE by John Plender
Nicholas Brealey Publishing, $25, 280 pages

The capitalist conscience



John Plender's book is a compelling response to the claim that stakeholding is an empty phrase. You may not agree with his arguments, but at least there is something to argue about.

Stakeholding is the most important economic issue of the age – a great deal more so for the economic future of Europe than whose head is on the coinage. At stake is the sustainability of the market revolution.

Capitalism has scored some extraordinary victories in the past two decades. It has won the battle of ideas against socialism and witnessed tha collapse of the centrally planned regimes. Yet market economics remains unpopular. We may acknowledge the afficiency of free markets but, Plender shows, we still do not like them much.

In spite of its evident successes in promoting efficiency, privatisation, for example, remains a term of ahuse. Many privatised companies are even more unpopular than their nationalised predecessors. And rising salaries in the boardroom have aroused great hostility.

The common left-leaning liberal response is to express contempt for markets and those who trade in them, and to seek to minimise their infinence on human affairs.

Despairing moral philosophers have invented the term "blocked exchanges" to suggest that aome things must be off-limits for market economists. But they have had little success convincing Chicago economists who advocate markets in transplant organs and explain the life of St Francis of Assisi by reference to the discounted net present value of expected after-life consumption.

The rightwing reaction is to tell sensitive souls they must not be so squeamish. This rhetoric has its own phrase – "wealth creation" – to explain wby bebaviour which, at first sight, seems morally contemptible is necessary for all that is morally worthwhile.

What is needed, argue the wealth creators, is wider education in the importance of commercial values and respect for private property. Those who refuse to understand can, if intelligent, be marginalised in universities. If unintelligent, they can be sent to prison.

If these are the terms of the argument, markets are going to lose. The windfall tax on utilities is simply the first demonstration of how expensive unpopularity can be for husiness.

Only the naive can think that executive remuneration can go on rising without a backlash: a political reaction and a growing divide between management and workers. Experience in the US demonstrates that security guards and prisons are a costly and ineffective means of dealing with excluded minorities. If capitalism lacks legitimacy, capitalism itself will be undermined.

Plender attempts to transcend these arguments. Suppose the model of markets based on selfish individualism – in which the only important economic relationships are commercial exchange and the ownership of property – is an inaccurate and misleading description of how capitalist economies function. Then both the left critique and the right defence would be beside the point.

Suppose economic success within companies and in national economies depended not so much on the pursuit of self-interest but rather on trust, co-operation and the existence of shared and inclusive values. Then the issue of the moral legitimacy of capitalism would largely disappear.

This is the stakeholding thesis. As presented by Plender, it is attractive and compelling. He differentiates his arguments in two important respects from those of Will Hutton in *The State We're In* (Cape, £16.99) – whose prescriptions proved to be too wide-ranging and frigbtening for a New Labour party facing an imminent election.

Hutton, like much of Old Labour, is instinctively suspicious of market forces. Plender is ready to embrace markets, if not entirely uncritically. While Hutton is a contributor to the extensive declinist literature on Britain's economic prohlems, Plender is inherently optimistic.

On both these questions, Plender is hasically right. But – and this is the big difficulty for advocates of stakeholding – he finds it hard to identify particular prescriptions. Stakeholding is largely abont attitudes, not legislation. It is about companies acknowledging a wider range of responsibilities than the maximisation of shareholder value.

Stakeholding is an understanding that property rights and welfare rights do not exist in the absence of corresponding obligations; that aggressive individualism is not e sustainahle basis for economic organisation, let alone for a successful society; that proper restraint on boardroom pay should come from a sense of embarrassment about fixing one's own salary; and that regulation is best conducted through values rather than rules.

Policies cannot achieve all this, but they can help to create the climate.

John Kay is prospective director of the School of Management Studies at Oxford University. A Stake in the Future *is available from FT Bookshop on +44 181 324 5511; fax credit card details to +44 181 324 5678 (post and packing £1.50 in Europe)*

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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No heresy in share buy-backs

From Mr Martin Taylor.

Sir, in the latest of a series of pieces ("Buy-backs" February 19) deploring the tendency of British managements to pursue share buy-backs in preference to special dividends, Lex pronounces that a company which persists in the bereticai practice of purchasing its own equity will "have a lot of explaining to do".

One man's explanation follows, prompted in part by this majestic instruction. But I might have written anyway, since it seems to me (and here I commit lèse-Lex) that the column is seriously mistaken.

The error appears to arise from two sources. First, Lex presumes that the companies in question are interested in returning cash to shareholders *tout court*, and are doing no more than choosing between alternative means of sccomplishing this objective. (I do not believe we are quarrelling about the desirability of maintaining capital tension in a business; certainly in the case of Barclays it is proving very beneficial.) Second, Lex fails to distinguish between a procedure that gives shareholders choice and one that does not.

From the company's standpoint, whereas a special dividend – any dividend, come to that – treats all shareholders equally, a huy-back creates different classes of holders, broadly speaking sellers and noo-sellers. It is thus like e negative placing of shares rather than a negative rights issue, which is why the price at which it is carried out is not a matter of indifference.

From the standpoint of the tax authorities, bowever, shareholders are not equally treated under aither ontcome. With a special dividend, preferred by Lex on the principle of the greatest happiness of the greatest number, the tax-exempt funds receive a benefit, while a cost is inflicted on all higher-rate taxpayers. But in s buy-back shareholders are free to consult their own interests and to hold or sell as they please. Under previous tax legislation gross funds were eager sellers; one might suppose the mix of participants would now be different.

Unlike a special dividend, a buy-back represents an investment – in the cancellation of capital – carried out by a company on behalf of the shareholders who do not sell. It is in *this* class of shareholder that British managements should be interested. I just wish Lex were on their side as well.

Martin Taylor,
chief executive,
Barclays Bank,
54 Lombard Street,
London EC3P 3AH, UK

Federalism need not be a dirty word

From Mr David Martin MEP.

Sir, In Tuesday's piece on David Currie's *Pros and Cons of Emu* ("And the consequences were ..." February 25), Peter Martin sets out four possible scenarios. In scenario four "Emu triumphant, EU unified" – the one I am sure we would all like to see – we are told that there would be "some limited accretion of powers to Brussels, but no general federalism: an open decentralised Europe (on the Swiss model)".

But I thought Switzerland had a federal constitution. Is there not a danger that we are allowing the Eurosceptics to redefine our language by accepting that federalism is bad, when Indeed, as is implied with the example of the Swiss model, federalism can lead to open decentralised government?

David Martin MEP,
Lothians constituency,
4 Lothian Street,
Dalkeith,
Midlothian EH22 1DS,
UK

Difficulties arise in return to Hong Kong

From Mr Peter Bolin.

Sir, Who runs the immigration department in Hong Kong at present? This is not a rhetorical question but ooe that has real and serious implications for non-Chinese who aspire to remain bere after June 30 this year. My question is prompted by the following incident.

My wife travelled to Macau last week and on ber return was granted entry only until May 28, when her current visa expires. Sbe is a British citizen, bolds a full British passport, has lived here for more than four years, runs her own business, has no criminal record, and is generally a normal British citizen. Britisb citizens normally have unrestricted right of entry to Commonwealth countries and stay with automstic right to work subject only to the receipt of a 12-month visa which is granted without restriction on landing here.

It is perhaps significant that this decision to refuse her the right of a 12-month visa was not made by the immigration officer, but by another official to whom the immigration officer referred for advice. Has some sort of directive gone out concerning British citizens entering the country and the length of time they can be given on their visa?

So who does run the immigration department? And what significance can be placed on the actions of officials who seemingly have broken the law as it stands in favour of applying the law as it will some day be?

Peter Bolin,
C4, 11/F, Hankow Centre,
1C Middle Road, TST,
Kowloon, Hong Kong

Responsible view by US on climate

From Mr William F. O'Keefe.

Sir, The attack by Mr John Gummer, UK environment secretary, on the US's efforts to address climate change lacks merit ("US attacked for failure to fight climate change", February 19).

Potential climate change is an issue that must be taken seriously by all countries. In the US businesses are energetically pursuing voluntary programmes that are producing good results. Greenhouse gas emissions are substantially below wbat they otherwise might have been.

Moreover, additional progress is possibls. The US business community has identified policies that are responsive and economically responsible. The most appropriate actions that can be taken to address climate change include these:

- Focused research to reduce scientific uncertainties.
- Expanded voluntary, no-regrets actions to continue progress in reducing greenhouse gas emissions.
- Removal of barriers to the economic turnover of capital stock, and investment in development of advanced energy efficiency technologies and the export of energy-efficiency technology to developing countries.

Mr Gummer's proposals to rednce greenhouse gas emissions would produce little in terms of environmental or climate benefits but would do a great deal to damage the economic operations of many. He either misunderstands the substance of a complex issue or is using it to achieve a short-term political objective.

To paraphrase: "A scheme by which a historical ally thinks it can beggar its friends is unacceptable."

William F. O'Keefe,
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When ritual is not enough

Ritual resignation is a symbol of absolution in corporate Japan. It is a sign that the leader has taken responsibility for his company's failings, and an indication that an unsavoury affair is over.

The resignation yesterday of Mr Tomiichi Akiyama, the chairman of Sumitomo Corporation, can thus be seen as a signal that the company wants to close the book on the copper scandal that erupted last spring.

Coming only a week after Mr Yasuo Hamanaka, the Sumitomo dealer blamed for $2.6bn in copper losses, pleaded guilty to fraud and forgery, Mr Akiyama's departure was portrayed by the company as consistent with its claim that a "rogue trader" was responsible.

Mr Akiyama and fellow executives have denied knowledge of Mr Hamanaka's activities, suggesting that he had been deceitful for a decade. They probably did not know the details of deals, but can it be that Sumitomo executives were unaware of Mr Hamanaka's hold on the copper market?

Mr Hamanaka worked in head office, deeply embedded within Sumitomo's conventional Japanese management hierarchy. He had kept his job for an unusually long period; in corporate Japan, rotation after two years is the norm.

It was clear that the company thought him an exceptional talent. He had received the president's award, and the 1991 Sumitomo annual report devoted two pages to his trading exploits.

What pleased Sumitomo was Mr Hamanaka's ability to meet the goals he outlined in an FT interview in 1991: "To keep our customers happy and, at the same time, make money." That involved exercising extraordinary control over physical copper stocks and ensuring that Chinese traders, the other big force in the market, played along.

Sumitomo was subject to the "administrative guidance" of the normally watchful Ministry of International Trade and Industry. The company played a leading role in ensuring that Japanese industry had enough copper to meets its needs. Mr Hamanaka's decade of influence can hardly have gone unnoticed at the ministry.

Neither Sumitomo nor Miti has addressed these basic issues. Meanwhile, Mr Hamanaka's court case trundles along, though he is unlikely to be pressed to reveal the details of motives and the methods. And investigations by regulators in the US and UK have yet to shed light on the case.

It is honourable for Mr Akiyama to resign. It would be more honourable still for him to provide a full account of the great copper caper.

Bank flirtation

The desirable goal of putting the Bank of England in charge of interest rates and the control of inflation has proved politically elusive.

Successive chancellors indicated that they favoured independence for the Bank, but when it came to the point, they gave way to the seductions of power and politics. Yesterday, Mr Gordon Brown, Labour's shadow chancellor, joined the ranks of the Bank's would-be liberators. But he also stopped short of promising that he would, in office, cut the chains which shackle it to the Treasury.

Instead, Mr Brown says he would like to give the Bank a new monetary policy committee, including some co-opted advisers to help it formulate its advice to the chancellor. Since this committee would be obliged to publish monthly minutes of its meetings, it would be a welcome addition to the greater openness in discussion of interest rates which was instituted after sterling's fall in 1992. The Bank then began its quarterly *Inflation Report*, and the minutes of regular meetings between the Bank's governor and the chancellor were published.

Although these arrangements were an important step in liberating interest rate policy from obsessive secrecy and political interference, Labour rightly identifies several failings. The relationship between the two institutions has become over-personalised and is seen – even within the Treasury – too much in adversarial terms. And the Bank, having a narrow remit to advise on future inflation, may be over-ruled by a chancellor who claims his designs are on a wider economic canvas.

Mr Brown's remedies, however, make sense only if he intends to do more than flirt with independence for the Old Lady. Advisers advising the governor what to advise the chancellor would soon want to call the whole thing off if the Treasury repeatedly rejected their proposals.

But as a dress rehearsal for full independence, the proposal could prove effective, especially if the monetary committee were seen to take a broad view of the prospects for the economy in proposing rates. Although the Bank cannot be given more than one target without the risk of missing both, it would need also to build up public support for its management of monetary policy.

In emergencies, such as an external shock, the government must retain power to change the target. But this would provoke wide discussion, far from the fudge and smudge of many past interest rate changes. British economic history shows how few politicians can be trusted with inflation. If Mr Brown wants to open a new chapter, he must show that his intentions are honourable.

López's legacy

Volkswagen's response yesterday to allegations of wide-ranging corruption in its purchasing department was predictably bland. It urged carmakers and suppliers to co-operate in blowing the whistle on dishonest employees, but made no revelations of its own.

Europe's biggest carmaker is still reeling from the impact of its battle with General Motors over Mr José Ignacio López, the former GM purchasing tsar who defected to VW – taking with him, German prosecutors say, a bundle of secret documents.

Although VW extricated itself with an out-of-court settlement, the latest scandal may be one too many for VW's shareholders. They have marked down the company's stock sharply this week, in spite of doubled net profits and a 50 per cent dividend rise.

Though attempts in the German press to drag Mr López into the latest scandal seem to be wide of the mark, he does have a role to play in this drama. Arguably, by driving down component prices, Mr López and his like at other car companies have helped expose corruption.

His strident demands for discounts squeezed not only suppliers' margins but also the cushion for kickbacks. Corruption may have also been forced into the open by Mr Ferdinand Piëch, VW's chairman, who enticed Mr López from GM. Mr Piëch has cut VW's costs through a "platform strategy" of building more models on a common range of basic engineering structures.

The corollary of the platform strategy – pursued under various names at most carmakers – is to reap economies of scale by giving more business to fewer suppliers. That has had a dramatic effect on the components sector, with rationalisation on both sides of the Atlantic.

The latest crop of allegations may say more about the changing balance of power between suppliers and car companies than about improving standards of ethics among buyers.

Bigger suppliers are probably less willing to be pushed around by corrupt purchasing executives. And they also have management structures that allow them to police their own people. By contrast, a typical German Mittelstand supplier might be more vulnerable to pressure from big customers or might not have the resources to uncover corruption.

The counter-argument, of course, is that bigger companies are not always better. Even ABB, the Swiss-Swedish industrial group which blew the whistle on VW, has had its own rogue managers in the past. On balance, however, incidents like those alleged at VW should become rarer as the industry consolidates.

Battle above the rooftops

After a slow start, satellite TV providers are making strong efforts to woo subscribers away from cable, says Christopher Parkes

Superficially, at least, the five satellite television operators bidding to open up the US market agree on one thing. With only 4.3m subscribers between them after two years in the business, they believe it is time to stop fighting among themselves. Instead, they should go after the real "enemy" – cable television.

But the announcement this week that Mr Rupert Murdoch's News Corporation is entering the fray unexpectedly early suggests this consensus may not last. News Corp, which had planned to launch its first US ASkyB satellites in October and to go live early in 1998, has surprised the industry by buying half of EchoStar, one of the smallest but the most aggressive of the satellite companies. The partnership, to be known as Sky, will offer 500 channels of standard TV fare, Internet, media, educational and business services.

News Corp will inject $500m into the partnership, enabling EchoStar to continue the marketing strategy that has won it some 400,000 subscribers in the year since it started.

Last year was a disappointing start for direct broadcast satellite (DBS) systems. Most forecasts had suggested the industry would start 1997 with at least 5m subscribers, 700,000 more than it has actually achieved. By comparison, the UK has about 3.5m subscribers to satellite television.

The poor performance in the US is partly due to satellite's inability, because of technical and regulatory constraints, to beam local news and weather forecasts into US homes. Two years ago, DBS providers were also blithely convinced that the old-fashioned cable market – with its 66m customers, supposedly disgruntled by poor service and jumbled programming – was there for the taking.

After all, the argument went, who would settle for 40 cable channels when a couple of hundred channels, in digital-quality sound and video, were available through an 18-inch dish on one's rooftop?

Progress has been all the more disappointing in the light of an unexpectedly precipitous drop in the cost to consumers of setting up for DBS reception. Dishes and set-top boxes, which a year ago cost up to $700, can now be had for a third of that. It is only a matter of months before the hardware is given away to subscribers signing up for an array of premium channels, according to some industry analysts.

This price war, together with the industry's failure to live up to expectations of subscription numbers and the range of services, has compounded Wall Street's disillusionment with entertainment and media stocks, severely denting the share prices of companies in the sector.

According to a DBS share-price index prepared by The Carmel Group, a specialist research and monitoring organisation, the gains made last spring and summer, when spirits were high, have been dissipated. In the stock market's view, US satellite television is back where it started: a promising business with no clear strategy.

In early 1996, there were only three participants in the market: DirecTV, part of Hughes Electronics; the General Motors subsidiary USSB, which shares its satellite with DirecTV; and PrimeStar. These were later joined by EchoStar, which started last year's price war, and AlphaStar.

Wall Street wonders whether there is room in the US home entertainment market for five new service providers. Even before this week's news of the ASkyB-EchoStar merger, observers were predicting an early bout of consolidation in the sector. But industry leaders believe that the arrival of Mr Murdoch presents more opportunity than threat.

"Murdoch will be a formidable ally for us, as we try to hammer away at cable," Mr Stan Hubbard, president and chief executive of USSB, told a conference shortly before the deal was struck.

"If what they spent on their slot [the ASkyB partners last year paid $682m for the last available pan-US satellite spectrum] is any indication of their marketing spend, we will all benefit from the increased market awareness," said Mr Murray Klippenstein, head of AlphaStar, the newest company in the sector.

"Whatever they do, I'll be cheaper," chipped in Mr Charlie Ergen, EchoStar's incorrigible founder – who must have had his tongue firmly in his cheek.

This determination of DBS companies to undercut each other is part of the problem, according to Mr James Gray, PrimeStar chairman. Instead of concentrating on converting cable subscribers by preaching the benefits of DBS, the industry spent 1996 competing against itself and diverting potential buyers' attention to issues of equipment and price. "We gave money and position away," admits Mr Klippenstein.

Last year's clashes gave Mr Steve Effros, president of the Cable Telecommunications Association, a sense of *déjà vu*. "It reminds me of the 1970s when all the new cable companies were blowing smoke in one another's ears," he says. "We've got 66m households and [satellite] has 4.3m. I'm pretty happy where we are."

Yet, in spite of Mr Effros's bravado, the cable industry has long accepted that DBS presents a formidable challenge to its apparent dominance. Last year, cable companies ran disparaging advertising campaigns decrying DBS's claimed advantages. More recently they tried, unsuccessfully, to use the courts to block News Corps's ASkyB venture.

PrimeStar, at present the number two DBS provider, was set up by a group of cable operators led by Tele-Communications Inc, the troubled industry leader, as a defence against the newcomers. Its service, now reaching 1.7m homes, was launched to cut out a slice of satellite's potential market, especially in remote areas where cabling was uneconomic.

But DBS is already moving out of the wilderness and into urban America. The "low-hanging fruit", says Mr Eddy Hartenstein, DirecTV president, among rural customers and those keen to try new technologies has already been picked. Two-thirds of his company's new customers are coming from traditional cable territories, he says.

And DBS is picking plum customers as it advances, says Mr John Tinker, media and entertainment chief at Montgomery Securities. DBS households average two to three pay-per-view movie purchases a month compared with cable's average of only one.

Up to half DBS's subscribers are in cabled areas, says Mr Michael Alpert. Typically, they either cancel their cable subscriptions or downgrade their service to cheap, basic packages which include local programmes but exclude premium film and sports channels.

But the wealth of satellite's choice and pay-per-view offerings are the only two supposed economic and marketing advantages of DBS that are being exploited. "There are no really unique offerings – no Internet services, no data, no bundling of services. It is a question of unfulfilled expectations, and that's the way Wall Street has read events," says AlphaStar's Mr Klippenstein.

One of the most problematic of these unfulfilled expectations is related to viewers, rather than investors. Because of regulatory and technical obstacles, satellite – unlike cable – cannot deliver programmes from local stations affiliated to the national broadcast networks. These are still the most watched services in the US.

EchoStar and ASkyB claim to be developing "spot" channels, which will beam local weather, news, sports and popular soaps to tightly targeted markets. In the interim, DirecTV says it can overcome the problem with a hybrid receiver dish and conventional antenna that can pick up local broadcasts. New electronics in the satellite decoder can clean up shadows and other picture interference, it says.

Meanwhile, both DBS and cable operators have sharpened their focus on new data and Internet-related services which, they hope, will attract more subscribers. Expectations are high in both camps that, by increasing the market for electronically delivered services beyond the standard video and audio fare, new revenue channels will be opened up.

Mr Michael Armstrong, chairman of Hughes Electronics – which has just disposed of its defence business, releasing more than $3bn to invest in DirecTV – predicts the imminent arrival of a "flexible, affordable and ubiquitous skyway" to supplant the vaunted information superhighway.

His cash-rich DirecTV will this year roll out DirectPC, a data service in alliance with Microsoft. This will deliver data to personal computers, data-enhanced video, multimedia magazines and real-time stock ticker services. On a similar track, News Corp's menu promises business-to-business services – such as tele-conferencing – distance learning and telemedicine.

With satellite power doubling every three or four years, Mr Armstrong predicts space-based systems in 2000 will be 500 times as cost-effective as those of 1980, providing DBS with real opportunities as "we go increasingly head-to-head" with the cable companies.

The present total of 4m-plus DBS subscribers could more than quadruple by the end of the century, "but that is only a fraction of the potential provided we heed the message of the market", Mr Armstrong says. "As people get more, they want more."

The programming ambitions of DirecTV and News Corp suggest that success may ultimately belong to those who extend their services well beyond the entertainment industry. And, as EchoStar's Mr Ergen seems to have realised, deep-pocketed partners can also help.

· OBSERVER ·

A real can of wood worms

■ Cambodia fell foul of the International Monetary Fund last year because of the government's apparent inability to control illegal logging; the IMF's environmental sensibilities were so offended that it cancelled a loan to the country.

The Cambodian government has since made a show of trying to stop the destruction of the forests. But IMF officials visiting Phnom Penh to talk about a possible resumption of lending have taken offence. It seems that new export tax exemptions were granted to wood processing companies just days after ministers pledged in parliament to stop handing out such valuable waivers.

Cambodia's second prime minister Hun Sen, whose government relies on international aid for 40 per cent of its national budget, now appears to be readying himself for an ugly fight with the IMF and other critics.

The trees - and Cambodia's hopes for a sustainable forestry policy - look likely to be the victims.

"I don't want to ask aid from anyone any more," he says. "If they want to cut the loan it is up to them. If they cut the aid, we can cut and sell trees to raise money." The IMF is left to ponder whether this is a hollow threat.

Fly right

■ For all his talents as a successful insurance lawyer, Randolph Fields, who has died aged 44, will be remembered as the man who brought the idea for Virgin Atlantic airways to UK entrepreneur Richard Branson. The working relationship between the two strong characters did not last long; within nine months of their first meeting Fields and Branson were corresponding through their solicitors.

Whatever the truth behind this monumental falling-out, Fields' forthright manner was part of the equation. Tim Jackson's book *Virgin King* cites one senior Virgin Atlantic manager as complaining that Fields' "inability to argue without losing his temper" made him a difficult boss.

While Fields later sold his airline stake back to Virgin, he was also canny enough to negotiate free flights as part of the deal. He continued to use this facility – much to Branson's annoyance – several times a month. And while Fields always felt he had been squeezed out by Branson, he continued to make himself at home in the sky – habitually stretching out on the floor of the Virgin's Upper Class cabin and sleeping soundly across the Atlantic.

Getting fresh

■ Rotten luck for travellers in Washington who found themselves diverted from the city's National airport after a suspected gas leak. Acting on the better-safe-than-sorry principle, airlines cancelled 26 flights and diverted another 24 after gas detectors started wailing.

With canaries or their more modern equivalent in hand, the authorities set about searching the deserted terminal buildings – only to find that the source of the problem seemed to be a waste bin full of rotting fruit.

Sideshows

■ Connoisseurs of UK politics who prefer an exotic diet will be well catered for over the next few days as smaller parties gear-up for the general election.

Tomorrow sees the launch of the Green party's campaign document. The ecologists have all but slipped from the public gaze since winning 15 per cent of the vote in the 1989 European elections. But the defenders of the planet have not given up; the party has already selected candidates to fight 85 parliamentary seats.

The Greens will be competing for the spotlight with the Liberal party – the diehards who refuse even now to accept their old party's merger with David Owen's SDP to create the Liberal Democrats back in 1987.

For true eclecticism wait until Sunday, when Sir James Goldsmith plans to relaunch his wilting Referendum party in London. With an eye perhaps on his fading coverage, Sir James is promising a buffet lunch for the attendant press. Observer fears, though, that his moment has passed. Six months ago the mere mention of his party caused visible tremors in government circles. Now, Conservative party spin doctors can afford to answer questions on the subject with a weary "Sir James who?"

Good moo-ve

■ Ireland, dubbed the Celtic Tiger by the headline writers, is growing at a rate which puts most European countries to shame. But that does not please the country's powerful farming lobby, which says the strength of the Irish currency, the punt, is damaging agricultural exports. This week they bought a cow to Dublin to protest outside government buildings. The cow's name was, of course, "E-moo."

The Financial Times

100 years ago

The Russian Canal
We are glad to find that Mr. Thomas Miller, stock broker and mining share dealer, is in extremely close touch with the heads of the Russian Royal Family. Owing doubtless to this intimacy, Mr. Miller knows all about a scheme for constructing a canal, "making use of the rivers from the Black Sea into the Baltic," which the Russian Government regards as a very magnificent work. No less than £20,000,000 will be required, and Mr. Thomas Miller, with his telegraphic address "Mighty, London," is evidently the man for the job. The Russian Government will guarantee 4 per cent for 66 years.

50 years ago

N.Z. And Trade Talks
Wellington, 26th Feb. The greatest importance is attached by New Zealand to the coming international trade and employment talks. For generations this country has sold almost all her exports to the United Kingdom, and with that country alone has it enjoyed a favourable trade balance. Post-war economic changes, however, have made it essential that New Zealand should now seek other markets.

FINANCIAL TIMES
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Sumitomo head quits over copper scandal

Akiyama takes responsibility for group's big losses

By Michiyo Nakamoto in Tokyo

Mr Tomiichi Akiyama resigned as chairman of Sumitomo Corporation yesterday, taking responsibility for the huge losses the company incurred through fraudulent copper trading by its former star trader Mr Yasuo Hamanaka.

Mr Akiyama was president when Mr Hamanaka was conducting unauthorised trades that resulted in a loss of $2.6bn for Sumitomo and became one of the largest corporate scandals in Japan.

Although Mr Akiyama, who stepped down to the post of chairman soon after Mr Hamanaka's activity became public last June, had indicated that he would resign at the earliest possible occasion, he had been pressed to remain as chairman to deal with "the most important incident since the founding of the company", Sumitomo said.

His departure follows the creation of a programme to deal with the loss, changes within Sumitomo to prevent any recurrence of unauthorised trades, and the evidence against Mr Hamanaka, strengthening the company's conviction that management was not involved in the illicit activity. The completion of this meant the time was right for Mr Akiyama to resign, Sumitomo said.

Mr Hamanaka, who was known as "Mr Five Per Cent" because of the share of the world copper market he was thought to control, was released on bail on Tuesday, pending his trial on charges of forgery and fraud. He pleaded guilty earlier this month. Mr Akiyama is the only one of Sumitomo's management to take responsibility for what is the largest single loss in Japanese corporate history.

The unauthorised trades carried out by Mr Hamanaka over 10 years had raised questions about the extent to which Sumitomo management may have known about the trades. The company has consistently denied that its managers were involved and has portrayed itself as a victim of Mr Hamanaka' actions.

The huge loss incurred by Sumitomo has also prompted concerns about risk controls at Japanese companies in general and at Sumitomo in particular.

"Sumitomo was believed to be such a cautious company that investors considered it boring," said Mr Kota Nakako, industry analyst at SBC Warburg in Tokyo. "But trading companies are becoming involved in so many highly specialised businesses that it is difficult to keep an eye on, or understand, all of them."

Sumitomo said it had strengthened its risk controls by consolidating its back-office operations for trading in commodities and financial products. The unified back-office system allows management to grasp the total value at risk directly, the company said.

Editorial Comment, Page 11

Open skies deal faces delay until after UK election

By Michael Skapinker, Aerospace Correspondent

An open skies agreement between the UK and the US will not be concluded until after the British general election, airline executives believe.

This would mean that the proposed alliance between British Airways and American Airlines would not be approved a year after it was announced in June 1996. Washington has made the conclusion of a UK-US open skies deal a condition for approving the alliance.

The proposed alliance is attracting opposition from competitors. Mr Cyril Murphy, vice-president of United Airlines of the US, will today accuse BA and American of planning to join Japan Airlines to create an "iron triangle" which would dominate air traffic in the US, Europe and Asia. American has a marketing egreement with the Japanese carrier.

Mr Murphy will tell a conference in London that the three airlines plan to create an alliance "the likes of which no combination of competition could begin to match". BA and American have refused to comment on whether Japan Airlines will join their alliance.

Airline executives say that talks between the US and UK in Washington last week made little progress. The airlines said the talks hardly covered areas of disagreement, such as greater US access to London's Heathrow airport.

The UK and US governments said no date had been set for further talks. Executives believe the two sides have run out of time and negotiations will resume in the early summer, once a post-election government is in place.

Airline executives believe a Labour government's approach to the negotiations would not differ from that of the current Conservative government which accepts that the existing, highly restrictive air agreement between the US and the UK will have to be replaced.

See Lex
BAe cash pile, Page 20

Independent agency to police Japanese financial sector

By William Dawkins in Tokyo

An independent supervisory agency is to be set up by the Japanese government to police the financial sector.

It is the third major policy initiative disclosed this week to prepare the ground for a "big bang" financial deregulation. Draft plans for the agency will be submitted to the cabinet next month.

Together with an end to a ban on holding companies, the scrapping of foreign exchange controls, and the granting of greater autonomy to the Bank of Japan, the measures would constitute the biggest reform of financial rules in 50 years.

The Financial Inspection and Supervision Agency, as the new unit will be known, would supervise all types of financial institutions.

It would be independent of the powerful finance ministry and would represent a diminution in the ministry's powers, a key plank in the plans of Mr Ryutaro Hashimoto, the prime minister, to curb the influence of the bureaucracy.

The agency would report to his office and is scheduled to start operations by the middle of next year.

"It will be independent in form, but I'd be very surprised if it is an independent agency in reality," said Mr Ron Bevacqua, economist at Merrill Lynch in Tokyo.

The agency's brief is to strengthen supervision in advance of the financial sector restructuring widely expected in the next few years.

A "big bang" plan to scrap barriers between different kinds of financial business and introduce freely negotiated commissions by 2001 is being prepared in an attempt to lift the ailing Tokyo market to the size, competitiveness and sophistication of New York.

The agency would be authorised to order insolvent lenders to close, issue and revoke financial licences and orchestrate mergers.

It would also be empowered to order the Deposit Insurance Corporation, an inter-bank unit controlled by government, to bail out depositors in failed banks up to a limit of Y10m ($80,000) per depositor.

The finance ministry would retain the authority to advise in cases of large bank or security company collapses, and it would also keep the right to draft legislation.

The ministry's reduced powers amount to a symbolic blow to an authority at the heart of the country's economic policy making. In recent months, its reputation has been battered by an unpopular plan to spend a huge amount of public money on bailing out bankrupt housing lenders and by the mis-handling of a financial fraud at Daiwa Bank.

Making a small bang, Page 6

THE LEX COLUMN

Greenmail

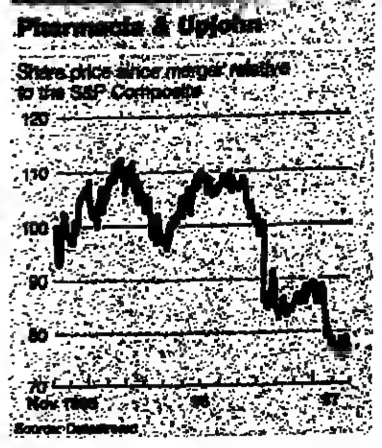
Mr Alan Greenspan, the US Federal Reserve chairman, has now warned twice in three months that financial markets appear to be overvalued. From a man who says that if he has made himself clear he has been misunderstood, this is a pretty strong hint.

Yet the irrationally exuberant down on the trading floors are getting used to Mr Greenspan's gloomy utterances. US stocks fell by less than 2 per cent in early trading and the reaction in most European stock and bond markets was even more muted. They have reasons to be sanguine. Even Mr Greenspan cannot find much to worry about as regards the US economy, which has been powering worldwide recovery. Unemployment remains low, growth steady and inflation is still quiescent.

That does not rule out a pre-emptive increase in interest rates during, say, the second quarter of 1997. But Mr Greenspan said yesterday he saw no need to be as aggressive as in 1994/95 when the central bank doubled the federal funds rate from 3 per cent to 6 per cent. He even threw US shares a lifeline by suggesting that continued strong earnings growth and a gradual decline in the equity risk premium could partly justify their unprecedented rise.

Even so, Well Street looks exposed and a rate rise could and probably should trigger a correction. European equities look safer, given supportively low interest rates, a weaker D-Mark and the continuing promise of corporate restructuring.

FTSE Eurotrack 200: 2190.3 (+9.1)



Elf Aquitaine

Elf Aquitaine has two compelling advantages over most French companies. First, since it is mostly active outside France it can cut costs with an abandon most of its *confrères* cannot. And second, its chairman has discovered the thrill of pleasing international shareholders. The consequence is impressive results like yesterday's. Even stripping out a flattering oil price, the figures reveal plenty of productivity gain as well. Of course, more needs to be done. Exploration costs are still high by industry standards. And in the context of last year's buoyant oil price, a 9¼ per cent return on equity is a long way short of Elf's 12 per cent target. But for investors that is, if anything, a reason to put faith in future profit growth. At a price/free cash flow multiple of less than five times, a 20 per cent discount to other continental European oil stocks, the shares still look excellent value.

Pharmacia & Upjohn

That Pharmacia & Upjohn is introducing a poison pill against takeovers should not surprise the cynics. After two profit warnings, the loss of its chief executive and an awful share price performance, the SwedishAmerican drugs group must be feeling vulnerable. P&U argues, with some justification, that such shareholder rights plans – which allow the board unfairly to dilute e predator's stake – are common in the US.

But P&U is at least half-European; there, poison pills are rare. And even in the US they are increasingly outdated: Upjohn phased out its own prior to its 1995 merger with Pharmacia. Successful though that was, P&U has not put a foot right since. This plan is certainly not in shareholders' interests and they should say so.

European aerospace

According to British Aerospace, Airbus is the driver for restructuring Europe's defence industry. That may seem odd. After all, Airbus makes civilian aircraft. But it has a ring of truth to it, at least as far as fighters are concerned.

Airbus is pivotal for two reasons. First, once the loose consortium has been turned into a proper company, the Airbus partners will focus on what is left – their military businesses. France's Aérospatiale could feel particularly naked, as Airbus is a disproportionately large part of its business. That may help counteract France's traditional reluctance to relinquish control over pillars of its industry.

Second, the process of converting Airbus into a company is reinforcing an emerging Anglo-German alliance over the need to run aerospace businesses for profit, not *gloire*. It was such a front which pressed for Airbus's restructuring in the first place, against French objections. The same alliance is now pushing for Airbus's assets to be valued using modern financial principles and its management to be chosen by headhunters rather than on the basis of nationality.

The relevance for military aircraft is that BAe and Germany's Daimler-Benz Aerospace could theoretically do a deal that cuts out the French. In practice, the strength of ths Franco-German political axis makes this unlikely. But the mere threat of being left on a limb could, in time, bring France to the table.

Standard Chartered

Standard Chartered's shares have recently fallen victim to fears of its plans to spend more on its business. In British banking circles, investing money has been considered akin to burning it. Standard is talking about increasing investment by up to £100m this year to build up businesses from credit cards to custody. Given the bank's previous record for ghoulish surprises, cynicism was inevitable.

However, the current management team has done a stellar job of controlling costs. The current focus is merely on increasing revenues faster and the cost to income ratio is still targeted to fall below 50 per cent. Since Standard operates in protected Asian markets, it has plenty more opportunities than the British banks against which it is benchmarked.

Besides, the current weeding out of the riskier parts of its corporate client portfolio should release more capital. Increasing the number of credit card clients by over 500 per cent to 10m over the next five years looks a plausible start. If it achieves its target, credit cards could comfortably generate more than £250m of profit. And with an existing 28 per cent return on equity, shareholders should be clamouring for more investment.

See additional Lex comments on Barclays and Pace Micro, Page 20

BAe urges Airbus to headhunt senior executives

Continued from Page 1

their Airbus manufacturing facilities, although they have yet to agree how these should be valued. Negotiations are under way as to how bankers will value these interests, with decisions expected in March. Final valuations should be produced by September.

BAe and Dasa are believed to be arguing that valuation should be based on the net present value of future cash-flows. Aerospatiale is arguing for the valustion to be based on the tangible and intangible values of the partners' Airbus assets, which would also reflect French investment in building up the company.

However the argument is resolved, the partners will have the same shares in the new company as they do in the existing consortium. Aerospatiale and Dasa each own 37.9 per cent, BAe has 20 per cent and Casa has 4 per cent. If assets in companies such as BAe prove to be worth more, they will receive compensation.

Once Airbus has been transformed into a limited company, aerospace executives believe attention will turn to the partners' remaining defence interests. They believe these need to be consolidated to compete with large US groups such as Lockheed Martin. Executives say that the sizes of each partners' defence interests will influence their role in the consolidation.

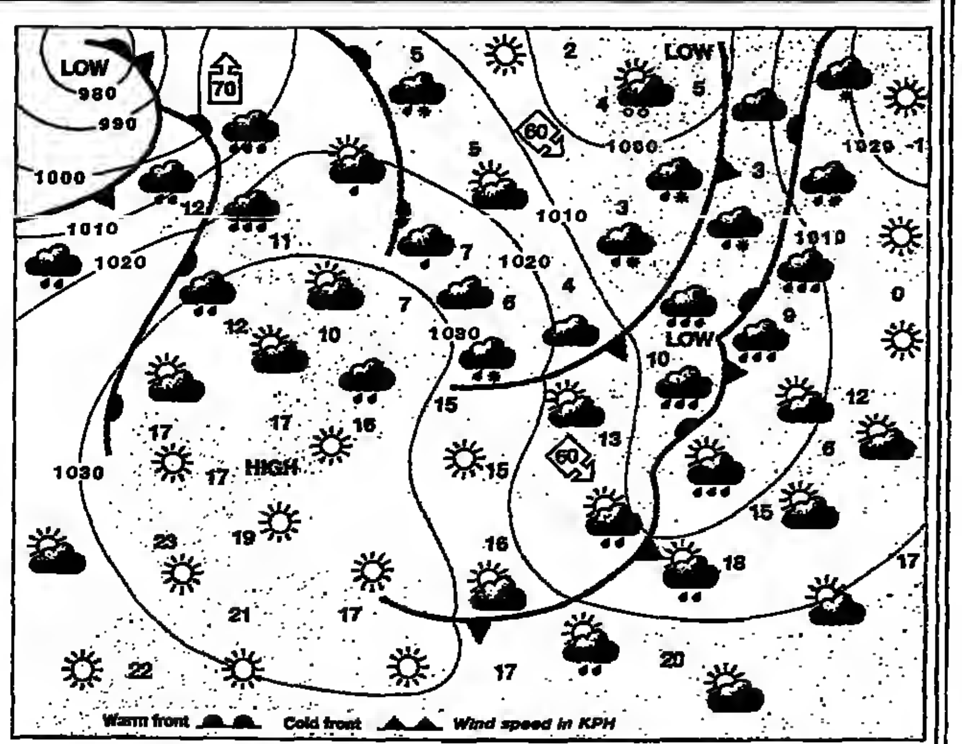
FT WEATHER GUIDE

Europe today

The western UK will be unsettled. There is a risk of gales on the Hebrides. The southern UK will stay dry but cloudy. Southern Sweden will have plenty of sunshine. Western Norway and Denmark will be cloudy with showers. France, Spain and Portugal will be fine and sunny. Southern Spain and Portugal will have temperatures up to 23C. Italy will also be rather sunny although the Adriatic coast may have showers. Germany will be cloudy. The northern Alps will have some rain and snow will fall above 1,000m.

Five-day forecast

South-western Europe will stay sunny. The south-eastern Mediterranean will be cloudy with showers. The Alps will have plenty of sunshine on Friday.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum	Beijing	rain 8	Caracas	fair 27	Faro	sun 20	Madrid	sun 17	Rangoon	sun 34
	Celsius	Belfast	rain 10	Cardiff	shower 10	Frankfurt	fair 8	Majorca	sun 17	Reykjavik	sleet 1
Abu Dhabi	sun 24	Belgrade	rain 12	Casablanca	sun 20	Geneva	shower 11	Malta	sun 18	Rio	thund 31
Accra	fair 32	Berlin	fair 8	Chicago	cloudy 2	Gibraltar	sun 17	Manchester	shower 9	Rome	sun 15
Algiers	fair 19	Bermuda	fair 23	Cologne	cloudy 7	Glasgow	rain 9	Manila	fair 32	S. Frsco	cloudy 15
Amsterdam	shower 8	Bogota	shower 20	Dakar	sun 27	Hamburg	cloudy 7	Melbourne	fair 23	Seoul	fair 13
Athens	fair 18	Bombay	sun 34	Dallas	sun 17	Helsinki	shower 3	Mexico City	shower 23	Singapore	thund 31
Atlanta	cloudy 23	Brussels	cloudy 7	Delhi	sun 28	Hong Kong	fair 23	Miami	sun 31	Stockholm	fair 4
B. Aires	fair 30	Budapest	fair 10	Dubai	sun 26	Honolulu	fair 27	Milan	fair 14	Strasbourg	cloudy 9
B.ham	shower 10	C.hagen	fair 6	Dublin	rain 11	Istanbul	shower 14	Montreal	snow 0	Sydney	shower 25
Bangkok	sun 35	Cairo	fair 18	Dubrovnik	windy 11	Jakarta	cloudy 30	Moscow	rain 5	Tangier	sun 20
Barcelona	sun 18	Cape Town	fair 25	Edinburgh	shower 9	Jersey	fair 11	Munich	shower 9	Tel Aviv	fair 18
						Karachi	sun 30	Nairobi	sun 30	Tokyo	sun 12
						Kuwait	sun 19	Naples	fair 15	Toronto	sleet 2
						L. Angeles	fair 17	Nassau	sun 30	Vancouver	fair 7
						Las Palmas	sun 23	New York	shower 18	Venice	fair 14
						Lima	sun 27	Nice	sun 16	Vienna	fair 10
						Lisbon	fair 21	Nicosia	shower 16	Warsaw	fair 8
						London	fair 11	Oslo	sun 5	Washington	shower 24
						Lux.bourg	sun 6	Paris	fair 10	Wellington	fair 19
						Lyon	fair 10	Perth	sun 35	Winnipeg	fair -7
						Madeira	fair 20	Prague	cloudy 8	Zurich	shower 6

FINANCIAL TIMES
COMPANIES & MARKETS
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IN BRIEF

Carrefour chief makes Emu plea

The chairman of Carrefour, one of France's biggest retailers, called for European monetary union to be brought forward so as to avoid the chance of a clash with the French presidential elections in 2002. Page 18

Kimberly-Clark pleases Wall Street
Wall Street reacted favourably to the announcement by Kimberly-Clark that it is to concentrate on consumer products and sell its pulp and paper mills. The company's shares gained $1¼ to $107¾. Page 14

CPC to spin off corn unit
CPC International, the New Jersey-based consumer foods and corn processor, said it would spin off its $1.5bn corn refining unit to shareholders by the end of this year. Page 14

Borealis blames decline on margins
A squeeze on operating margins at Borealis, Europe's largest producer of raw materials for the plastics industry, has been blamed for a sharp decline in 1996 pre-tax profits. Page 17

EVC moves into loss
EVC, Europe's largest producer of the versatile building plastic, PVC, said it had moved into loss last year in the face of "dire" market conditions. The Dutch group saw sales fall 18 per cent last year to Fl 2.1bn ($1.1bn). Page 17

Barclays thwarted in buy-back move
Barclays, the UK bank, fell short in its first attempt to buy back tts shares since the government changed the tax rules that had favoured such repurchases. Report and Lex, Page 20

Asia forces Courtaulds closure
Courtaulds, the British chemicals company, announced a factory closure that will see Europe's production of viscose fall by e fifth in the face of competition from Asia. Page 20

Pace ousts founder on profits warning
Pace Micro Technology, star of the UK's new issues market last year when its flotation made millionaires of its two founders, ousted one as its joint chief executive and issued its second profits warning in three weeks.
Report and Lex, Page 20

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Hoechst	80.0	+	4.5
Kali & Salz	144.5	+	5.5
MAN	442.5	+	8.0
SAP AG	259.0	+	4.5
Schering	153.0	+	6.8
NEW YORK ($)			
Rises			
Am Pad & Paper	19¼	+	1½
Ipalco Ent	31¾	+	3¼
Falls			
CKE Rest	21	–	3¼
Cable Tech	28	–	3
Guess Inc	10¾	–	2¾
Unit Auto	20	–	4¼
LONDON (Pence)			
Rises			
Avonmore Foods	210	+	14
JJ Group	70	+	14
PPL Therapeutics	70	+	14
Rosebys	336½	+	19
Wheatsoe	184	+	27
Falls			
Pace Micro	86	–	71
TORONTO (C$)			
Rises			
Geographics	5.15	+	0.40
Panderina Pet	24.0	+	2.5
Perle Sys	3.6	+	0.4
Plaintree Sys	6.5	+	1.0
Pursuit Res	2.80	+	1.75
Falls			
Akita A	9.75	–	1.0
PARIS (FFr)			
Rises			
Bertrand Faure	272.5	+	12.7
Club Med	427.5	+	23.5
Dollfus Mieg Cie	178.5	+	9.4
Gaz & Eaux	2520	+	105
Falls			
Labinal	1295	–	50
Lafarge	350.6	–	10.6
TOKYO (Yen)			
Rises			
Cosmo Oil	483	+	28
Mitsui Mng	487	+	28
Orix Corp	5500	+	280
Falls			
Mazda Corp	732	–	43
Seibu Railway	5150	–	240
Sumitomo Realty	876	–	39
HONG KONG (HK$)			
Rises			
Asia Satellite	20.8	+	2.0
Cig-Wh Int	2.17	+	0.29
Silver Grant	8.6	+	0.9
Swank Intl	1.02	+	0.08
Yips Hang Chng	0.95	+	0.12
Falls			
Sinocan Hldgs	2.85	–	0.25
BANGKOK (Baht)			
Rises			
General Fin	28.75	+	2.50
Mutual Fund	104	+	9
Seafresh Inds	28.75	+	2.50
Falls			
Bijoux Demour	35.25	–	3.75
Charan Ins	48.25	–	4.75
Natural Park	32.25	–	2.75

New York and Toronto prices at 12:30.

Philip Morris in $8bn share buy-back

Company also joins growing trend for stock splits

By Tracy Corrigen in New York

Philip Morris, the US tobacco and food group, is to buy back $8bn worth of its shares and split its stock, the latest sign that last year's vogue for share buy-backs and stock splits may be accelerating.

Exxon, the US oil giant, also announced a two-for-one stock split yesterdey, and Boeing, the US aircraft manufacturer, and Kimberly-Clark, the US paper and packaging company, did the same late on Tuesday. The board of pharmaceutical company Merck epproved a $5bn share repurcbase programme on Tuesday.

Both stock splits and buy-backs tend to have a positive effect on the share price, leading to investor approval.

Last year, a record $176bn of share buy-backs was announced by US companies, according to Securities Data, which tracks announcements. The $36bn of buy-becks announced so far this year is on track to beat that record.

Sbere buy-backs bave become increasingly common in recent years as US companies have sought to return surplus cash to shareholders.

Stock-splitting has become popular as a result of rapidly rising share prices in the last few years. Companies tend to split stock when the price rises rapidly, particularly if it exceeds $100, as high share prices are thought to deter retail investors.

Mr Phil Condit, Boeing's chairman and chief executive, said the split should "result in a market price for Boeing stock that will be attractive to a broader spectrum of investors". Boeing's share price rose 75 cents on Tuesday to $106.25 following the news.

The positive impact of a share price split is largely psychological, said Ms Gail Dudack, equities strategist et UBS Securities in New York. "There is a belief that if you lower tbe price, more people are willing to buy the stock."

Share buy-backs directly boost prices, since tbe company is buying a large amount of stock from the market. However analysts say that companies are increasingly using share buy-backs to enhance their earnings per share, at a time when high stock market valuations are putting pressure on tbem to produce strong earnings growth in a relatively slow-growing economy. Because analysts look at the ratio between share price and earnings per share, reducing the number of shares produces the same statistical effect as increasing earnings.

"A lot of companies have been huying hack shares to make earnings look better, when in fact earnings are in trouhle," said Ms Dudack. "The motivetion for stock buy-backs has shifted from 'Gee, this is a great use of our capital' to 'Gee we'd better keep our share price up'."

Analysts note that senior executives have e strong interest in keeping the share price up to protect their options and stock.

P&U shares fall despite earnings jump

By Hugh Carnegy in Stockholm

Pharmacie & Upjohn, the Swedish-US drugs group, yesterdey reported a jump in earnings in the fourth quarter as restructuring costs from the merger that created the company in 1995 declined and sales rose faster than expected.

P&U shares initielly rose strongly on the news, climbing SKr9 in Stockholm to e day's high of SKr290. But sentiment turned sharply later and tbs shares ended down SKr6.50 at SKr275.

Analysts blamed the reverse on comments by P&U executives that suggested 1997 earnings would be held back by higher than expected investmsnts and concern that the strong dollar would affect sales – a trend that began to hit sales last year.

The rise in pre-tax profits from $91m in the fourth quarter of 1995 to $337m, and a 7.5 per cent increase in sales from $1.8bn to $1.94bn, provided some relief for investors. There was concern that bad news might be in store following the sudden resignation this month of Mr John Zabriski, the former chief executive and driving force behind the merger.

Net earnings per share in the fourth quarter rose from $0.07 to $0.43. The dividend was set et $0.27 per share.

However, relief was tempered by clear warnings about 1997. Mr Jan Ekberg, standing in as chief executive until e successor to Mr Zahriski is appointed, said P&U still faced "many chellenges". He seid the focus in 1997 would be on generating stronger long-term performance. He also warned of the effects of a strong dollar.

"Our message is that 1997 is going to be e year of investments focusing on new products and producing sales growth in 1998," said Mr Robert Salisbury, the chief financial officer.

P&U repeatedly disappointed the markets last year as warnings on slower-than-expected merger synergies, negative currency developments and slow sales growth deflated investor enthusiasm for a merger which created the world's 10th largest pharmaceutical group by turnover. The disappointment apparently triggered Mr Zabriski's departure.

By the fourth quarter, bowever, the bulk of $814m in merger and restructuring costs bad been taken and faster-than-expected sales in the US lifted turnover. For the full year, sales grew 3.3 per cent from $6.9bn to $7.2bn – including adverse currency movements that knocked 2 per cent off the value of sales on a comparable basis. Full-year pre-tax profits were $838m, and earnings per sbare reached $1.07. No comparable earnings figures for 1995 were available.

P&U'e operating margin for the full year was 19.8 per cent – well short of the company's long-term target of 25 per cent.

Lex, Page 12

Oil prices and cost cuts boost operating income for French group

Elf to raise dividend after 38% increase in profits

By David Owen in Paris

Elf Aquitaine, France's biggest industrial company, is to raise its divideod for the first time in five years after reporting e 38 per cent increase in annual profits from FFr5.04bn to FFr6.98bn ($1.2bn).

The increase, which was in line with analysts' expectations, was due mainly to a near-doubling of operating income from the oil, chemicals and drugs group's exploration and production unit because of buoyant oil prices.

Tbe contributions from chemicals and drugs declined, while income from refining and marketing improved but remained at a low level. Sales advanced 12 per ceot from FFr208.3bn to FFr232.7bn.

Mr Philippe Jaffré, chairman, emphasised tbat the improvement was "not only due to high oil prices". "Our course would not have been as satisfying if we bad not developed our businesses wbile continuing to reduce our costs," be said.

The company may need to look for fresb partners for the new DM4.8bn ($2.84bn) Leuna refinery in eastern Germany – expected on stream later this year – following the collapse of plans for three Russian companies to take a 24 per cent stake.

The development could leave Elf with 67 per cent of the project, althougb it bad said it wanted to retain a minority interest.

It said yesterday the matter would be considered "in coming months". The refinery will have a capacity of 170,000 barrels per day.

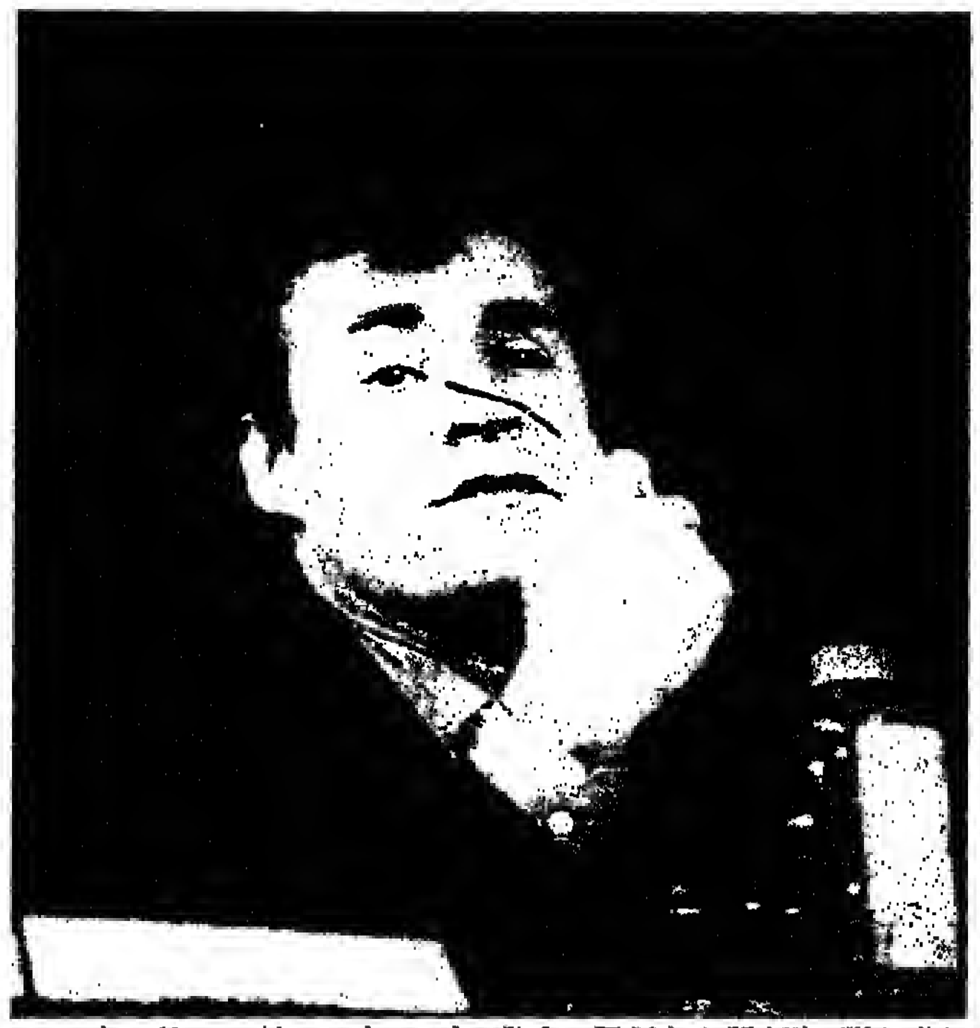
Analysts said the Leuna refinery should not present problems for the group.

They also responded relatively positively to yesterday's figures, pointing out that the dividend increase, from FFr13 a share to FFr14 a share, was slightly more than some had anticipated. The reaction of the markets was upbeat, with the shares adding FFr5, or 0.9 per cent, to FFr547.

The main contribution at the operating level was from exploretion and production, wbere operating income, including special items, rose from FFr8bn in 1995 to FFr15.5bn.

The company said the rise was partly due to productivity improvements. Oil and gas production rose 2 per cent, passing the 1m barrels a day level for the first time.

Lex, Page 12



Announcing a 38 per cent increase in annual profits from FFr5.04bn to FFr6.98bn, Elf Aquitaine chairman Philippe Jaffré said the improvement was 'not only due to high oil prices'

Oji Paper plans big job cuts

By Jonathan Annells in Tokyo

Oji Peper, Japan's largest paper company, is to cut its workforce by up to 20 per cent by March 2000 to reduce costs and increase its international competitiveness.

The company plans to cut the number of employees by at least 1,600 from the current 12,600, but a spokesman said a task force was working on an "ultimate goal" of 2,600 fewer jobs.

The move comes as Japanese companies face growing pressure to shed staff to cut costs, turning their backs on lifetime employment. Oji Paper's cuts are to apply to administrative posts as well as mannfacturing, with the company aiming to reach the target hy curtailed recruitment and the transfer of workers to some of its 270 affiliated companies.

The rednctions follow the merger last October of New Oji Paper with Honshn paper to create the world's third-largest paper manufacturer with consolidsted sales of about Y1,300bn ($11.7bn).

While the Japanese paper market is the third largest in the world after the US and Europe, the country's mannfacturers are generally not cost-competitive in international markets. "The major objective [of the job cuts] is to enhance our international streogth," seid Mr Yohei Yamamoto, a company spokesman.

Jepanese peper companies face e tongher future after their earnings peaked last year, analysts said. Japanese domestic paper production rose by between 5 per cent and 8 per cent last year, but is expected to be flat this year as manufactnrers lose market share to exports from south-east Asia, where prices fell more than 40 per cent in 1996.

Dresdner Kleinwort Benson, the securities house, forecasts that the paper sector's average recurring profits will fall about 20 per cent in the year to March and up to 50 per cent in 1997-1998.

News Corp asset disposal to fund satellite TV growth

By Raymond Snoddy

Mr Rupert Murdoch's News Corporation plans to sall $800m of assets to belp fund its global satellite television expansion while retaining investment grade status for its securities.

The news of the planned disposal of "non-core" assets came when News Corp gave s snapshot of the financial state of the company as part of e presentation to analysts.

The company declined to say what it defined as "non-core" but tt is believed the disposals will involve several separate transactions. Neither News Corp's stake in Ansett Airlines of Australia nor its book publishing arm HarperCollins would be involved in the disposal process.

Mr Murdoch also gave a ringing endorsement of the importance of his newspaper business. Reports of the decline of newspapers, Mr Murdoch said, were "just plain wrong".

The $800m is being raised now because during the next 18 months News Corp will invest $1.8bn in "developing" husinesses such as satellite television operations. These inclnde Star TV in Asie, ASkyB, and Fox News, the new 24-hour television network.

The rest of the funding will be provided by cashflow from operations.

The analysts heard that News Corp's cash resources would remain at their current figure, $2.5bn, at the end of the 18-month investment period.

Net debt in News Corp now stood at $5.9bn but the average life of the debt was over 20 years and the next big repayment was due in June 1999.

Mr David DeVoe, News Corp's chief financial officer, told the analysts that the company was now "solidly investment grade" and was committed to staying thet way. That was why $1hn was raised through the issuing of shares which could be converted into part of News Corp's 40 per cent stake in British Sky Broadcasting in October. The other main vehicle was long-term debt securities, some meturing in 100 years, which raised $1.2bn.

News Corp also explained that its agreement to take e 50 per cent stake in EchoStar, the digital satellite television company, announced st the presentation, would cost a total of $1.682bn of which 20 per cent would be financed by MCI, the telecommunications company which originally planned to finance half of ASkyB.

CPC to spin-off corn refining

By Laurie Morse in Chicago

CPC International, the consumer foods company and corn processor, is to distribute its $1.5bn corn refining unit to shareholders as a separate company by the end of this year. CPC, based in New Jersey, would be left as a global branded packaged foods company with about $8.5bn in annual sales.

Wall Street approved of the news, sending the company's shares $1⅝ higher at $83⅝ in early trading.

The move will separate the main company from its founding business – processing corn into starches, sugars, oils and animal feeds – and allow it to expand its food businesses.

CPC'e consumer brands include Knorr foods, Hellmann's mayonnaise, Mazola corn oil and Skippy peanut butter. About 60 per cent of its consumer product sales are made outside the US.

The company said the split would allow each unit to pursue etrategic agendas that have diverged. "Originally the businesses [of corn refining and branded products] were closely intertwined. However, the synergies between them are no longer meaningful," CPC International said.

The new corn refining company, which has yet to bs named, would be the world's third-largest corn processor, with a significant presence in Latin America where its market share is about 60 per cent. It will have 23 processing plants in 18 countries, mostly in north and south America and Asia. CPC disposed of its European refining operations in the 1980s.

Tbe commodity-based business had volatile earnings, making it difficult to value, analysts said. In 1995, the corn refining unit had operating earnings of about $200m. High corn prices trimmed that to less than $70m in 1996, said Mr Konrad Schlatter, chief financial officer of CPC International. Mr Schlatter will be chairman of the corn refining company.

Profits are under pressure – this time from overcapacity in high fructose corn syrup production. CPC's corn refining operations are less dependent on HFCS sales than its US competitors Archer Daniels Midland and the Tate & Lyle subsidiary, Staley.

"We will start the new company with a good financial structure," said Mr Schlatter. "We intend to get profits up to 1995 levels and then grow from there."

The transaction, which must receive shareholder and regulatory approvals, will transfer $300m–$400m in debt to the new company. After the spin-off, and other cash receipts, CPC International will be left with debts of about $2.2bn.

Venezuela phone company advances

By Raymond Colitt in Caracas

Shares in Compania Anonima Telefonos de Venezuela (CANTV), rose 4 per cent to 2,249 bolivars yesterday, as the telecommunications company beat expectations with a net profit of 208bn bolivars ($441m) for 1996, up from $53.9m in 1995.

The company said it benefited from a 22 per cent rise in production and a 19 per cent reduction in costs.

Mr Gustavo Rosen, president, said CANTV had had an "excellent" year and had benefited from an "improved economic environment" in Venezuela during the second half of 1996.

He also highlighted the company's success in reducing its overall debt by $240m.

Mr Ricardo Sucre, a trader with Merinvest brokerage, said he expected the shares to level off today, bnt to rise in the medium term.

CANTV last year invested some 166bn bolivars to expand and modernise its network, increasing the number of fixed lines by 108,000 to 2.5m.

However, the company has suffered delays in the installation of new lines in recent months. Employees have allegedly been asking for bribes to install lines.

Employees have also been demanding a salary increase in excess of 100 per cent, threatening work stoppages.

Analysts have recommended CANTV shares in anticipation of strong performance. Moody's Investor Service, the credit rating agency, said last month it expected CANTV to experience "sustained earnings and cash flow growth".

Santander Investment, the merchant bank, said CANTV should benefit from line expansion and revenue per line rising above inflation.

The share price at CANTV's $1bn initial public offering in November was 1,546 bolivars.

Marvel struggle set to continue

By Richard Waters in New York

Any hopes that Mr Ronald Perelman may hava had about squashing opposition to his planned reorganisation of Marvel Entertainment, the New York-based comic book empire, were dealt a blow by a Delaware court earlier this week.

Mr Perelman, who owns 80 per cent of Marvel, and the legendary corporate raider Mr Carl Icahn have been locked since late last year in a struggle over who should get the pickings from a restructuring of the troubled entertainment company.

To help ensure the success of his own $365m recapitalisation plan, Mr Perelman declared for Chapter 11 bankruptcy protection last December, effectively putting the company out of reach of Mr Icahn and other angry bondholders.

Late on Tuesday, though, a bankruptcy court judge in Delaware issued a ruling that has given the Icahn camp new hope.

At the heart of the legal wranglings lies Perelman's 80 per cent interest in Marvel, which was pledged as security for bonds issued by the company soon after he took control of it in the early 1990s.

The bondholders, whose claims amount to $894m, contend that the company's failure to pay interest on time has given them the right to seize control of these shares, in turn assuring them of a voice in the company's reorganisation.

Without this, they stand to be all but wiped out: Mr Perelman has proposed issuing himself a block of new shares at a price of 50 cents each, a move that would greatly dilute the existing shares and leave the bondholders with a pay-out estimated at 4.5 cents in the dollar.

However, while Tuesday's decision addreased this point, it did not touch on the Icahn camp's ultimate ability to influence the course of the restructuring. The court upbeld the bondholders' rights to foreclose and take control of the shares. In the process, it rejected Marvel's argument that the stock had effectively been rendered worthless by the company's insolvency, and that therefore, under US law, could not be seized.

It was, said Mr David Friedman, the lawyer representing the bondholders, "e tremendous victory". The shift in the balance of power would "probably afford Marvel an opportunity to propose a plan that is more appropriate for the bondholders," he said yesterday.

However, according to Marvel, the shareholders of a company in Chapter 11 have little power. More important are the wishes of the company's secured creditors – in this case banks, led by Chase Manhattan – which have backed the Perelman plan.

This week's legal manoeuvrings may have given Icahn only a slim bope. But, as all super-heroes know, the darkest hour comes just before dawn.

Spiderman: a super-hero at the centre of a legal wrangle

Unibanco posts profits up 84%

By Jonathan Wheatley in São Paulo

Unibanco, Brazil's third-biggest private sector bank, made net profits of R$285.1m (US$271.36m) last year, up 84.4 per cent from R$154.6m in 1995. Earnings per 1,000 shares were R$2.99, up from R$2.34.

Comparing the two results is problematic, however, as Unibanco doubled in size in November 1995 when it took over banking and otber businesses from Banco Nacional, a big retail bank which had collapsed under liquidity difficulties earlier that year.

Furthermore, the figures take no account of inflation of about 10 per cent during 1996, in accordance with legislation introduced in 1995. Unibanco said that under the old system of adjusting for inflation its profits would havs been less, at R$269.1m.

Unibanco's client base increased from 850,000 to 2.4m as a result of the takeover of Banco Nacional. Much of the bank's activity during 1996 was concerned with incorporating its new assets, which it said it completed in January this year.

Earnings from subsidiary companies rose from R$152.8m to R$515m. Mr Rodrigo Fiães of Icatu, a Rio de Janeiro investment bank, said mucb of the increase came from rapid growth of Brazil's insurance industry during 1996, and from other growth areas such as credit cards and private pensions.

"Last year was a very big year for insurance, and Unibanco Seguros made a big jump when the bank took over Nacional's insurance business," he said.

Brazil's retail banks havs placed greater emphasis on services since the government's economic reform programme of 1994 ended the free ride offered by high inflation. Many banks previously derived the bulk of their profits from not passing on the full benefits of higher interest rates to their customers.

Since then they have had to turn to more traditional sources of earnings. New exposure to credit operations has caused difficulties at many banka, although the biggest private sector banks have adapted well.

Unibanco said its provision for non-psrforming loans at the end of 1996 was R$689m, or 3.3 times its non-performing portfolio of R$208m. As a percentage of total loans, the bank's rate of non-performance was 1.8 per cent, well below average for the industry.

Mr Fiães said be expected Unibanco's return on average equity, which was 13.8 per cent, to rise to about 16 per cent during 1997.

"Unibanco carried a lot of costs from restructuring during 1996 which will not be there next year," he said. "Its figures for last year were good, but we can expect an improvement in 1997."

Kimberly-Clark to quit pulp business

By John Authers in New York

Wall Street reacted favourably yesterday to the announcement by Kimberly-Clark that it is to become a consumer products business and sell its pulp and paper mills. The company's shares gained $1¼ to $107⅞.

Kimberly-Clark's announcement was part of an ambitious set of financial targets that include doubling operating earnings per share from $3.86 in 1995 to $7.72 in 2000.

It said it wanted to leave the pulp business, in which it was one of the largest US players, because it was cyclical and capital-intensive. US paper manufacturers's profits have been hit over the past year by a sharp drop in paper prices, caused largely by oversupply.

The company's operating earnings for last year showed a strong increase from 1995, of 39.6 per cent to $1.27 per share, but were affected by lower selling prices for paper prodncts. Its sales of tissne products in the fourth quarter were down 3 per cent on the previous year, due mainly to a decline of 5 per cent in selling prices.

Sales of newsprint and other products were down 21 per cent over the same period, due to "sharply lower" newsprint prices and the sale of Schweitzer-Mandit International, its tobacco paper company.

Kimberly-Clark had already embarked on a programme of disposals, and announced two months ago that it was selling a pulp and newsprint mill in Alabama to Alliance Forest Products of Montreal for $600m in cash.

Analysts expect its remaining mills, in Ontario, Nova Scotia and Spain, to raise about $1bn, and Mr Wayne Sanders, chief executive, made clear ths company would sell "only at a fair price" and was prepared to wait until the middle of next year to complete the sales.

Its other disposals in recent years include the Midwest Express regional airline, while it has acqnired Peaudonce, the French nappy brand, from SCA in return for a paper plant in northern England. It also acquired Scott Paper in a $9bn takeover in 1995.

Mr Sanders said that about half of the $1.8bn in additional operating earnings needed to reach his target will come from synergies following the Scott Paper merger, productivity gains, and higher margins gained mainly in the European market.

AMERICAS NEWS DIGEST

Bre-X 'committed' to Busang project

Calgary-based Bre-X Minerals said yesterday it had no plans to sell the 45 per cent stake it would gain in the vast Busang gold deposit in Indonesia under a joint venture agreed earlier this month. "We remain committed to our joint venture partners and the project," Mr David Walsh, Bre-X chief executive, said in a letter to shareholders. The statement aimed to clarify various aspects of Bre-X's involvement in Busang in the wake of qnestions raised by analysts and Canadian securities regulators.

Bre-X, a small exploration company, discovered the deposit, widely thought to be the biggest gold discovery this century. It had a 90 per cent interest until this month's agreement, under which various Indonesian partners will acquire a 40 per cent stake, and Freeport McMoran Copper and Gold 15 per cent.

Mr Walsh said Bre-X was "victimised by our own success". He said "various third parties conducted negotiations with the Indonesian authorities, from which Bre-X was excluded, which introduced a percentage ownership mind-set that significantly reduced our ultimate negotiating leverage .... At the end of the day, the arrangement that Bre-X reached ... was the best reflection of the political, economic and social environment in [Indonesia]".

Bre-X shares climbed 40 cents to C$20.20 in early trading in Toronto yesterday, giving the company a market value of C$4.8bn.

Mr Walsh said that Bre-X was free to sell its shares without first offering them to its partners. He said earlier he would be willing to talk to a potential suitor "if the price is right".

Bernard Simon, Toronto

McDonald's shares slip

Shares in McDonald's, the US fast food chain, shed $2⅝ to $44⅞ in early trading yesterday – a fall of 5 per cent – after a US press report that the company was poised to slash prices of products in its US outlets in an attempt to reinvigorate sales. The company did not return calls seeking comment.

McDonald's has been seeing strong performances from its international markets but US sales have been suffering from extremely tough competition from other fast food chains, notably the Burger King chain owned by Britain's Grand Metropolitan group. Last year, operating profits from US restaurants fell by 9 per cent to $1.14bn.

Last October McDonald's announced a shake-up of its US management, appointing Mr Jack Greenberg, previously chief financial officer, as chairman of McDonald's USA, over the bead of Mr Edward Rensi, chief executive. Yesterday the Wall Street Journal said Mr Greenberg would today ask franchisees to agree to heavy promotional discounts in a bid to increase sales.

Richard Tomkins, New York

Modem forum established

Some 27 computer and communications companies have joined forces to support a new standard for high speed dial-up connections to the Internet. Members of the newly formed 56K Open Forum include Compaq Computer, Cisco Systems, Hewlett-Packard, Rockwell and Lucent. They aim to promote the rapid adoption of a standard for 56kbps modems that are almost twice as fast as most PC modems in use today.

Forum members hope to ensure that a single standard will prevail in the emerging market for 56kbps modems. A rival and incompatible standard is being promoted by US Robotics, one of the leading manufacturers of PC modems.

"With universal industry support for interoperable 56K technology, we have the opportunity to dramatically expand the number of consumers on the Web and make the Internet a true consumer medium," said Mr Bob Rango, Lucent Technologies manager of modem products.

Louise Kehoe, San Francisco

Canadian sees loss

Canadian Airlines International is expected report a "significant loss" for 1996 and it expects to reacb an agreement with its creditors shortly. "Negotiations to complete our restructuring have taken longer than expected but we expect a positive outcome," said Ms Diana Ward, Canadian's spokesperson in Calgary. The company will report another loss for 1996, she added.

In 1995 Canada's second-biggest airline posted a final loss of C$195m. It had losses, including special restructuring charges, totalling nearly C$1.2bn in the five years 1991-1995.

Robert Gibbens, Montreal

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AS NEWS DIGEST

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Pioneer eyes sale of Ampol stake

By Nikki Tait in Sydney

Pioneer International, the Australian building products group, yesterday said it was considering selling its 50 per cent stake in Ampol – the country's largest petroleum refiner and retailer – just two years after the A$3bn merger of Pioneer's petroleum activities with Caltex Australia, which holds the remaining half-share.

Pioneer said it had called in two investment banks – US-based J.P. Morgan and Australia's Macquarie Bank – to assist in a review of its "strategic options", and tbat this could take some months to complete.

The news came as Pioneer posted a 16 per cent decline in after-tax profit for the six months to end-December, to A$112.7m (US$87.6m), partly caused by a poor performance and halved dividend from Ampol.

Sales revenue during the period was slightly higher at A$1.57bn, against A$1.56bn. The core building-material interests posted pre-interest operating profits of A$170.3m, down from A$187.6m last time.

Earnings from the group's Asian interests increased by A$13m to A$42.9m, but Australian profits slipped by A$14.3m to A$46.6m. Results from its European operations were A$12.8m lower, at A$54.1m.

Earnings at Ampol, meanwhile, tumbled 47 per cent to A$36.8m, compared with A$69.9m a year ago, despite a net abnormal benefit of A$6.9m. As a result, the dividend paid by Ampol to Pioneer was cut to A$18.4m, compared with A$34.5m previously.

The weak performance was attributed to "very low petrol refiner margins, increased crude costs, a negative exchange rate impact and higher petrol discounts to meet more intense retail competition".

Sales volumes grew by about 2.3 per cent, and Pioneer said that Ampol retained its leading market share, now put at around 30 per cent.

However, it warned of "continuing poor refiner margins and tough competition", saying "little improvement" was expected in the second-half dividend unless international refiner margins improved significantly.

Pioneer's gloomy assessment is in sharp contrast to the picture painted two years ago, when it suggested that, by rationalising the Ampol and Caltex businesses, it would be possible to achieve cost-savings of around A$500m a year.

"The merged company will be financially well-placed to compete vigorously," suggested Caltex Australia's chairman at the time.

Pioneer shares dropped 5 cents to A$3.89 on the news.

Vietnamese thirst for crazy beer

Foreign brewers are tantalised by a market that is vast but hard to conquer

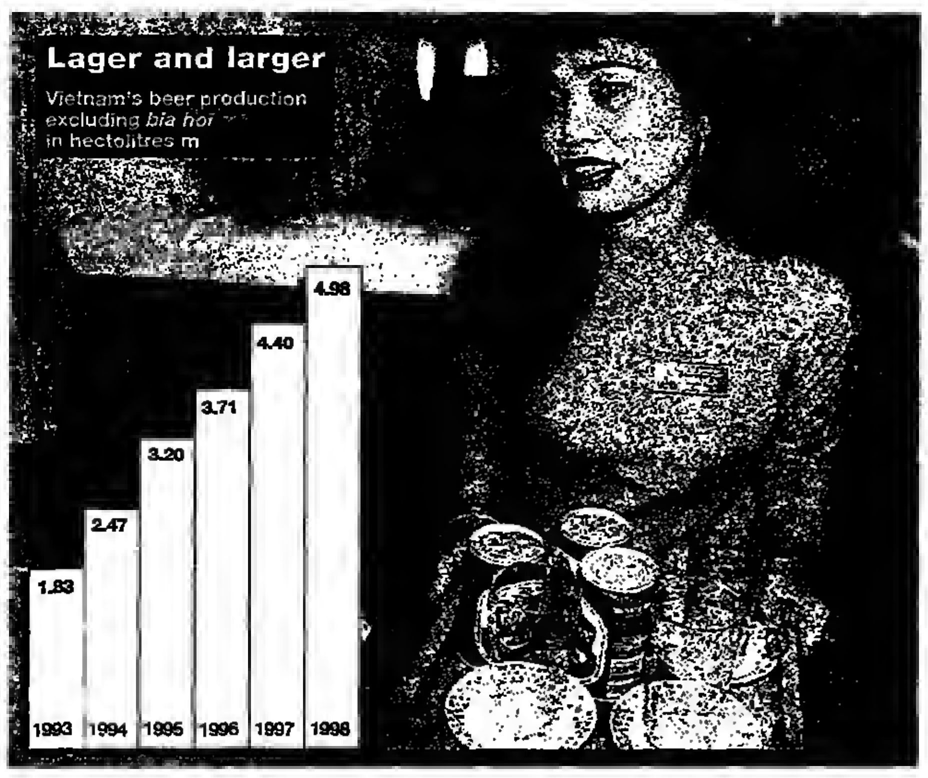
They call it *bia len con* – "the beer thet makes you crazy" – but that's not stopping the drinkers of Ho Chi Minh City.

Late in tbe afternoon, Vietnamese men gatber in beer gardens for marathon drinking sessions involving buge volumes of *bia hoi*, a cheap, local unpasteurised lager syphoned from kegs and served with ice.

By the time they stagger bome, many have put eway up to three litres each.

Figures like this bave been drawing foreign brewers to Vietnam since 1992, when the market was opened to foreign investment. Tbere are now 11 foreign brewers in Vietnam, involving about $300m in investment.

Nationwide per capita consumption of beer is only about five litres a bead, compared with 11 litres in China. But analysts expect that to reach 26 litres by 2010, spurred by a continued rise in beer consumption of about 20 per cent a year.



Such growth is moutb watering in a country with a population of 77m.

"It's probably the most profitable manufacturing business in Vietnam now. You've got the potential for much faster growth and the consumer being able to afford a packaged product," says Mr Andrew Bryan, senior associate at Tecbnomic Consultants.

Competition is fierce. Local brewers such as Saigon Brewery and Hanoi Beer dominate the market.

But they are jostling witb four big foreign brands: Tiger, from a UK-Singapore joint venture, Carlsberg of Denmark, San Miguel of the Philippines and BGI, a French product. All four are made in Vietnam under joint ventures.

Teams of promotional girls from Tiger, Carlsberg and San Miguel roam the city's restaurants in heavy make-up, trying to persuade drinkers to switcb to their brand. Scuffles have been known to break out between teams from competing products wbo turn up at tbe same bar.

For most foreign brewers, the aim of their promotional efforts is to capture drinkers of *bia hoi* as they "trade up" to more expensive products in cans and bottles.

Mr Victor Aquino, general director of San Miguel in Ho Chi Minh City, says: "The real battleground is in the lower levels, the restaurants. Local consumers haven't yet developed brand loyalty."

Analysts say the market may not mature as quickly as some foreign brewers expect. Drinkers tend to graduate from *bia hoi* to cheap, bottled beers made by the Vietnamese brewers.

There is not much scope yet for top-priced, premium beers and the local brewers remain formidable competitors. They have better access to distribution, and impeccable political connections.

Ms Nathalie Gaston, marketing manager at Brasseries et Glacières Internationai, a French brewer owned by tbe privately-beld Castel Group, says: "If you want to enter the market with a premium beer, most consumers can't afford it."

BGI should know. It was an early entrant in to the Vietnamese market, reviving tbe "BGI" brand it brewed during the Frencb rule of Indochina.

The new bottled BGI was priced bigher tban local beers. It soon lost market share to Saigon, the vast state-owned brewer, which had a cheaper product in similar bottles and better distribution.

The experience has highlighted that availability is the key in establishing market share. And that implies good distribution – difficult in a country with poor infrastructure and distribution companies tightly controlled by state-owned companies, valuing their relationships with the state-run brewers.

Asia Pacific Breweries, a Singapore joint venture between Heineken of tbe Netherlands and Fraser & Neave of Singapore, whicb produces Tiger and Heineken in Vietnam, has an exclusive arrangement with a distribution company in Ho Chi Minh City.

Asia Pacific will not say bow much it has spent on marketing, but Tiger hoardings are visible in some of the smallest hamlets across the country. This montb, construction started on a second brewery in northern Ha Tay province.

Mr Hans van Zon, general manager of Vietnam Brewery, Asia Pacific's joint venture in the country, says: "We had a clear policy to be quick and to be distributed nationwide."

Local brewers are waking up to the possibilities of the premium market and could pose a threat, analysts say.

Under pressure from tbe local breweries, Hanoi this month declared a moratorium on licences for new foreign joint ventures, virtually shutting off the Vietnamese market from further investment from abroad – except for "special projects", yet to be defined.

That would appear to be good news for foreign brewers already established in tbe market. But some analysts say it is a temporary measure to give Saigon Brewery and Hanoi Beer time to prepare their own premium products.

Neither company has the technology or marketing expertise to achieve this. But the fear among the foreign brewers is real enough, particularly if "special projects" means strategic joint ventures with other foreign brewers.

"If they go for a premium beer, it's going to be difficult for the foreigners," says Ms Gaston of BGI.

Jeremy Grant

Revenue rises 35% in year at PTTEP

By Ted Bardacke in Bangkok

PTT Exploration and Prodnction, the pnblicly listed snbsidiary of the state-owned Petrolenm Authority of Thailand, said yesterday it bad made a net profit of Bt1.08bn ($42m) in 1996, up 13 per cent on 1995.

Total revenue rose higher – 35 per cent – to Bt6.09bn. Analysts attribnted tba large discrepancy between increases in revenne and net profit to PTTEP's growing tax bill. New areas of prodnction, which are forming the backbone of the company's revenne, are taxed at a snbstantially bigher rate than older areas.

Other income also fell as PTT nsed cash reserves to finance expansion.

One of those new areas is tha Bongkot field, which the company said was responsible for much of its increased revenue. Production of natural gas in Bongkot rose mid year to 350m cubic feet a day, up from 250m cu ft a day before that.

Total prodnction from PTTEP and subsidiaries in 1996 was 14m barrels of oil equivalent, up 31 per cent from 1995. Proven reserves were 4 per cent higher than in 1995 at 502m barrels of oil equivalent. But probabla and possible reserves fell 39 per cent to 527.7m barrels of oil equivalent, as announced earlier this month.

The company said it would invest Bt35bn, primarily in natural gas development, over the next five years, in an attempt to reverse the decline in reserves. Investments will focus on the Pailin and Bongkot fields in the Gulf of Thailand, further developments in Burma's Andaman Sea, and the Thai-Malaysian Joint Development Area.

Funding for some of this development is to come from a $200m bond issne later this year. These will be denominated in a mixture of foreign currencies, with the first issue likely to be Japanese Samurai bonds. PTT is also considering Yankee bonds and eurobonds.

Moody's, the credit rating agency, recently put bonds issued by PTT International, and backed by PTTEP, on review for possible downgrading from tbeir A2 long-term foreign currency rating. PTTEP officials said tbe announcement would not affect its capital-raising programme.

ASIA-PACIFIC NEWS DIGEST

Pasminco static on flat zinc price

Pasminco, the world's largest zinc producer, reported an unchanged profit for the six months to end-December of A$20.2m (US$15.7m). Revenues were A$620.7m, compared with A$645.9m a year earlier; and earnings per share were static at 2.5 cents. During the period, the US dollar price of zinc was just 0.5 per cent higher, although the lead price rose by 16 per cent. The combined effect of changes in metal prices and the stronger Australian dollar was to cut around A$5m off Pasminco's earnings. Production volumes were also lower. In spite of higher mine output, and this depressed earnings by a further A$7m, compared with first-half 1995-96. *Nikki Tait, Sydney*

Dickson hopeful on Barney's

Shares in Dickson Concepts rose yesterday amid speculation that the Hong Kong luxury retailer was close to finalising a deal for the refinancing or acquisition of Barney's, tha New York based department store group. Dickson's shares climbed HK$0.30 to HK$27.90, as the company said it would bold a press conference today to announce an update on an international investment. Investment analysts said they expected the statement would concern Barney's.

The Hong Kong group has been performing due diligence on the US retailer for several months. But it has remained guarded about whether it will make an offer for Barney's, which entered bankruptcy proceedings at the beginning of last year. Buying Barney's would give a high-profile entry into the US market and would mark a further step in Dickson Concept's rapid international expansion. The Hong Kong group already controls Harvey Nichols in the UK and has a portfolio of international brands in Asia. *John Ridding, Hong Kong*

Singapore Power in phones bid

Singapore Power, the national power utility, and Singapore Technologies Telemedia are to bid for a licence to operate fixed-line telephone services after Singapore's market opens for competition in April 2000. Singapore Power said yesterday the bid would be made in conjunction with a foreign partner or foreign consortium. It did not name any prospective partners.

Singapore is to allow one or two new operators to compete in the fixed-line business with the current state monopoly, Singapore Telecom, from 2000. SingTel's monopoly in the cellular business comes to an end in April when MobileOne, a joint venture between foreign and local companies, will challenge it.

British Telecommunications and its US partner MCI, as well as AT&T of the US, and the Global One have all heen mentioned as interested in a Singapore licence. *James Kynge, Kuala Lumpur*

Hyundai profits declines 45%

Hyundai Motor, South Korea's largest carmaker, reported a 45 per cent drop in 1996 net profits to Won86.8bn ($101m) because of costs associated with the liquidation of a car plant in Quebec, Canada. Sales climbed 11 per cent to Won11,490bn, which contributed to a 35 per cent rise in operating profits to Won760bn.

The result was in line with expectations, since Hyundai announced it would write off Won280bn for the Quebec plant, which was part of an ill-fated venture into the North American market in the late 1980s.

The rise in sales came in spite of increased competition in the domestic market, of which Hyundai has a 45 per cent share. While total vehicle sales in Korea rose by 6 per cent last year, Hyundai suffered a 0.6 per cent fall, because of a slowdown in the sales of commercial vehicles and the introduction of new models by rivals Kia and Daewoo. It was also hurt by a three-week strike at a key componeot supplier which disrupted production last year.

The number of units exported rose 16 per cent, compared with the industry total of 27 per cent, which mainly reflected a surge by Daewoo. *John Burton, Seoul*

Siam Cement advances

Siam Cement, one of Thailand's leading industrial conglomerates, said yesterday its consolidated net profit was Bt6.79bn ($262m) in 1996, up 10 per cent on 1995. The results were below expectations but analysts discounted them as a symptom of slowing of economic growth in Thailand. The company is seen as a barometer for economic growth in Thailand, given its activities in electronics, car parts, metal machinery, steel, paper and petrochemicals.

Revenue grew 7.8 per cent to Bt107.3bn. The company's bottom line continued to be buoyed by other income, principally from cash borrowed overseas and deposited in Thailand. Other income grew 43 per cent to Bt3.43bn, more than half of total profits, while interest expenses fell 2.4 per cent to Bt6.1bn.

Siam Cement's foreign exchange debt is estimated at about Bt100bn. The company had hedged 95 per cent of its foreign debt in line with the central bank's currency basket against which the Thai baht is pegged, which protected it from the baht's recent slide. *Ted Bardacke, Bangkok*

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Novus to buy WMC assets for A$183m

By Nikki Tait

Novus Petroleum, the Australian oil and gas company, bas emerged as tbe successful bidder for most of the domestic oil and gas assets being sold by WMC, the larger Melbourne resources group.

Novus will pay A$183m (US$142.2m) for a range of joint venture interests in the Carnarvon Basin, offsbore of Western Australia. Among tbe interests already producing are stakes in the East Spar, Soutb Pepper, North Herald and Chervil fields.

WMC put its entire oil division up for sale last year, apart from its bolding in a pipeline whicb supplies gas from the North-West Shelf to the Goldfields region of Western Australia.

It has already announced the sele of tbe US oil business, Greenhill Petroleum, to Mesa for US$270m earlier this montb, and said yesterday it was still negotiating with Novus over two remaining joint venture interests in Western Australia. It has yet to announce a buyer for its interest in the Kupe South project in New Zealand.

Mr Bob Williams, tbe former Oil Search managing director who now heads Novus, said tbe company was keen to increase the proportion of gas in its production portfolio, and bad already targeted the Carnarvon Basin.

The WMC assets, he said, "offered an attractive fit – gas from East Spar and its synergy with our existing Herriet Interest – end significant exposure to material oil and gas prospectivity in tbe Carnarvon Basin". The company hed also been seeking increased Australian revenue for tax reasons.

Novus intends to finance the entire purcbase prica through debt facilities, but said it was also considering trading parts of its portfolio and restructuring the debt after tbe deal was completed. Discussions wera already taking place with interested parties.

WMC shares eased 8 cents to A$8.22 on tbe newe, while Novus was 5 cents lower at A$3.10.

Fletcher Challenge hit by weakness in paper

By Terry Hall in Wellington

Improved earnings from Fletcher Challenge Group's energy and forest divisions failed to offset difficulties in its paper and building units in the six months to December 31, as tbe gronp reported net earnings redneed from NZ$360m a year earlier to NZ$192m (US$133.8m). Tnrnover fell from NZ$4.9bn to NZ$4.2bn.

Fletcber Challenge Gronp is a holding company for fonr divisions – Fletcber Challenge Paper, Energy, Forests and Bnilding – whicb are individually listed in New York and on other stock exchanges.

Directors said conditions in the pulp and paper sector continued to deteriorate. Group net profit was also NZ$102m lower because of the strong rise in the New Zealand dollar during the period.

Capital spending totalled NZ$614m, including NZ$272m on the paper division end NZ$152m on the energy company.

Fletcber Challenge Energy reported an after-tax profit of NZ$125m, against NZ$88m. Production rose 14 per cent to a record 23.7m barrels. Reserves were increased to 423m barrels.

Fletcher Challenge Paper's net loss deepened, from NZ$9m to NZ$40m. Directors said newsprint prices fell sbarply before stabilising late in tbe period, but that price increases would come into force in March.

The company was expanding its minichip pulp production in Canada, wbile new projects in Brazil and New Zealand would reduce newsprint production costs. Tbe UK paper snbsidiary had an operating loss of £23m, compared with earnings of £2m.

Earnings at Fletcher Challenge Forests rose 42 per cent, to NZ$37m, with revenne rising from NZ$192m to NZ$264m.

Fletcher Challenge Building increased earnings, from NZ$44m to NZ$53m, after improved performances in its concrete, steel and plasterboard operations, but saw closnre losses of NZ$35m from its international activities.

EUROPEAN NEWS DIGEST

CFF head speaks against takeover

The head of Crédit Foncier de France, the troubled *specialist property lender, yesterday indicated to* politicians that he was against a partial takeover of the business by its rival Crédit Immobilier de France. Mr Jérôme Meyssonnier, the "governor" appointed by the French state to run Crédit Foncier last year, stressed his opposition in an appearance before the National Assembly finance commission meeting in closed session, *according to Mr Patrick Devedjian, one of its members.*

He is believed to have argued that the bank would *require a gross recapitalisation of FFr5.2bn-FFr5.5bn* ($920m-$973m), as well as restructuring and a partnership with an external group in order to survive. That follows a FFr2.7bn takeover of Crédit Foncier launched by the state last year which enabled it to continue operating in the short term, in spite of being technically insolvent.

His comments will re-stoke the debate about the proposition made by Crédit Immobilier last summer to take on some of Crédit Foncier's branches, staff and *housing loans business, with the remainder held by the* state and probably wound down over time. Mr Gérard Martin, chairman of Crédit Immobilier, warned earlier this month that be might withdraw his offer if there had been no decision by the government by the end of next month. His comments drew a fierce reaction from staff unions at Crédit Foncier.

Mr Yves Fréville, another member of the commission, said politicians attempted to find out more yesterday about alternative discussions which had been held with AIG of the US. Ha indicated his support for the heavy level of FFr13.6bn provisions announced for 1995 under Mr Meyssonnier which dragged Crédit Foncier into losses of *FFr10.8bn.*

However, he stressed that the politicians had not *examined in detail future rescue options for Crédit* Foncier, which they argued should be left to Mr Philippe Rouvillois, the mediator appointed by the prime minister last month to negotiate with staff unions, executives and the government, and who is expected to continue working until the end of March on the subject.

The commission is expected to issue a statement today based on its meeting. Crédit Foncier executives maintained their long-standing policy yesterday of refusing to speak to the media, apart from stressing in s short statement that the Crédit Immobilier option "remained possible". *Andrew Jack, Paris*

Rabobank posts 14.4% rise

Rabobank, the *Dutch* co-operative banking group, revealed previously hidden reserves of Fl 3.5bn ($1.85bn) *yesterday as it announced a 14.4 per cent rise in 1996 net* profits to Fl 1.63bn. It is transferring the reserves sum, *equivalent to* 1.6 per cent of its loan book, to an open liabilities fund in line with changes in European banking practice being implemented in the Netherlands this year.

The shift provides an increase from this year in Tier one capital as determined by the Basle-based Bank for International Settlements – Rabobank's BIS ratio of "core" capital to risk-weighted assets goes up as a result, to 10.6 per cent from 9 per cent at the end of 1996. That ratio had dipped from 9.5 per cent a year earlier because of a strong volume of new loans accepted, not all of which were yet flowing through to profits, the bank said.

Its balance sheet grew 12.9 per cent to Fl 331.3m, compared with an average 7.8 per cent growth in 1991-95. Rabobank has been expanding its insurance and asset management activities, this week agreeing terms for the phased takeover of Robeco, one of the country's biggest fund managers. Mr Herman Wijffels, chairman, said the bank had provided Fl 300m for costs, including those related to European monetary union and adjustment of computers for 2000. *Gordon Cramb, Utrecht*

Valmet expands servicing side

Price instability in the markets of its main customers has prompted Valmet, the Finnish machines group, to *concentrate on expanding* its rebuilding and servicing division. Chief executive Mr Matti Sundberg said yesterday the group had set an annual sales growth target of 10 per cent for the operation, with 20 per cent of Valmet's sales eventually coming from the unit. Rebuilding and servicing reported sales of more than FM1.4bn ($280m) in 1996 – about 12 per cent of the total.

He was speaking after the company reported a 28 per cent rise in net profits for the year, to FM806m, on sales ahead from FM8.6bn to FM11.8bn. The profits worked through to FM10.26 s share, compared with FM6.74 last time. There will be a FM3 dividend, up from FM1.75 last time. Valmet warned that tight competition and uncertainty was expected to continue into the first half of 1997, largely because of instability in the markets of *Valmet'a main customers, the forest products companies.* It said the situation had "decreased the willingness of *customers to invest and has postponed the* implementation of planned projects". *AFX News, Helsinki*

Hagemeyer ahead 47.5%

Hagemeyer, the Dutch trading company in which First Pacific of Hong Kong has a 36 per cent stake, lifted net profits hy 47.5 per cent last year, to Fl 285.2m ($151.4m). This just exceeded a 43.6 per cent jump in sales, to Fl 8.22bn, as the group consolidated a number of acquisitions and shed other parts of its portfolio.

From net earnings of Fl 6.72 a share, compared with Fl 5.90, a total dividend of Fl 2.28 is being paid – Hagemeyer initiated interim payonts last year with a Fl 0.75 distribution. In 1995 Fl 2 was paid in all. The group *is also* proposing a *2-for-1 share split.* In *response,* its shares closed Fl 2.60 higher at Fl 165.50.

Mr Andrew Land, chairman, said growth could be expected to run at 12 to 13 per cent a year. Tha group, *which last year derived some 65* per cent of its turnover in Europe, was seeking to reduce this to 50 per cent. Meanwhile, it would build its activities in Asia to provide between a fifth and a quarter of the total, up from 11 per cent now. Among the purchases was the remaining half-share in HCL, a distributor of branded goods in the Asia-Pacific region. The unit was previously a joint venture with Cosa Liebermann of Switzerland.

The performance was achieved in spite of difficulties in the European market for consumer electronics, in particular in Germany and in North America. That sector, until recent years *the core of the group, now accounts for* only about 6 per cent of sales. *Gordon Cramb, Amsterdam*

Ina upbeat on 1996 result

Ina, Italy's second-largest insurance group expects to see its consolidated pre-tax profit for 1996 rise to close to L1,000bn ($600m). The insurer, which recently linked up with Banca Nazionale de Lavoro to acquire the troubled Banco di Napoli, said the group's pre-tax profit last year should increase by 20 per cent compared with the L812bn earned in 1995. However, the net result is expected to show lower growth; of 15 per cent, because of higher fiscal charges. Premium income at the *Ina SpA parent company* rose 4.3 per cent to about L3,100bn. *Paul Betts, Milan*

BCI net profits static

Banca Commerciale Italiana (BCI), the privatised Milan-based bank, yesterday reported flat net profits of L341bn ($204m) for 1996, but a 17.2 per cent rise in operating profits to L1,392bn, from L1,187bn in 1995. The bank said it was proposing to lift its dividend on ordinary shares from L150 to L165 and the dividend on savings shares from L180 to L195. Interest income rose 1.6 per cent to L3,087bn while brokerage income increased 5.8 per cent to L5,090bn. *Paul Betts*

Borealis tumbles to DKr870m for year

By Hilary Barnes in Copenhagen

Borealis, Europe's largest prodncer of raw materials for the plastics industry, suffered a sharp decline in 1996 pre-tax prnfits, attributed *to a squeeze on operating margins.*

Profits fall from from DKr2.62bn in 1995 to DKr870m ($136.1m), wbile sales slipped from DKr17.62bn to DKr15.60bo.

Hnwever, the figures masked a recovery in tbe fourtb *quarter,* when *sales* were up hy DKr274m to DKr4.06bn and *pre-tax* *profits* were DKr414m against a loss in 1995 of DKr367m.

A fall in operating profits for the year from DKr2.90hn to DKr790m reflected the effect of weak prices for polyolefin and bigb crude oil prices, sald Mr Svein Rennemo, *finance director.* However, be maintained there was considerable improvement in that part of the group's performance not dependent on the market.

The operating squeeze was partially offset by income of about DKr300m from asset restructuring, and hy successful cost-curbing. Asset restructuring also cut the gronp's interest-bearing debt hy almost DKr574m, to DKr1.87bn.

Return on capital employed fell to 8 per cent from 19 per cent in 1995, wbich was an exceptionally good year for the industry.

Borealis is jointly owned by Statoil of Norway, and Neste, the Finnish oil refiner. In its first three years,, the company bas sbown an average return on capital of 11 per cent.

Borealis described the market outlook as favourable, witb stable polyolefin prices and falling feedstock prices. But it warned that new capscity this year, mainly in polypropylene, could *upset* the balance.

Borealis itself opened a 120,000 tonnes a year polyethylene plant at Poorvoo in Finland last March. It will npgrade capacity there and at its pbenol and aromatics plants at Poorvoo, hy 25 per cent st the end of 1997.

EVC posts Fl 31.2m deficit

By Jenny Luesby

EVC, Europe's largest producer of PVC, yesterday announced it bad moved into the red last year in the face of "dire" market conditions.

The Dutcb group's pre-tax earnings moved from s Fl 178.5m profit in 1995 to a loss of Fl 31.2m. However, this included exceptional charges of *Fl 24.9m to cover* restructuring and the loss on a *disposal. Sales fell* 18 per cent last year to Fl 2.1hn ($1.1bn).

At operating level, the company hroke even at Fl 1m, compared witb Fl 176.5m the previons year.

Mr Nigel Taylor, finance director, said margins on the prodnction of PVC hit their lowest point in more than a decade in the first balf of last year, when prices for the plastic fell while tha cost of its raw *materials,* notably *ethylene,* had risen.

However, there had been a recovery in the second half, with European PVC prices rising in the final quarter. These increases had continued into this year, and EVC hoped to pnt through a further price rise next month, Mr Taylor said.

Bulk *PVC* accounts for mora than half of EVC's *sales. In* 1995 the *commodity* end of the bnsinass *achieved* an operating profit of Fl 151.8m. This was converted into a loss of Fl 55m last year.

Processed PVC fared better. EVC dominates tbe world market for the type of PVC nsed to make smart cards, with a market share in *Europe* of *more than* 70 per cent.

Last year its PVC processing division doubled operating profits, from Fl 24.7m to Fl 56m, on sales down 11 per cent at Fl 942m.

This division offered the best hope of growth in the short term, said Mr Taylor, bnt any serious improvemant in tbe hulk market would depend on a recovery *in the German construction* industry.

The group maintained its total dividend at Fl 3.

New chief freshens up Degussa

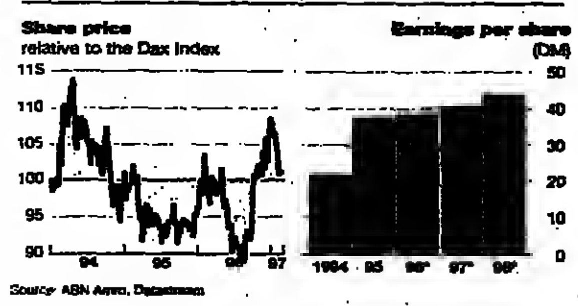
PROFILE

DEGUSSA

Market value: $3.7bn Main listing: Frankfurt

Historic P/E	18.3
Gross yield	2.6%
Earnings per share	DM38.0
Current share price	DM724

Uwe-Ernst Bufe chairman



Source: ABN Amro, Datastream

Held back for years by its drab *image* and conservative managemeot style, Degussa, the German chemicals and metals group, bas finally emerged from the shadows. Over the past year its shares bave climbed *about* 35 *per* cent and are becoming a market favourite.

Mr Uwe-Ernst Bufe, chairman, is modest about the stock's performance since he took over from Mr Gert Becker last Marcb: "I'm lucky I came into office when I did ... restructuring measures are bearing fruit and chemical stocks as a whole are on tha upturn in Germany."

But analysts say the 53-year-old chairman is largely *responsible for the share's* strong rise: under Mr Bufe, the *group* bas adopted a clearer cnrporate structure, a more aggressive management style and is paying greater attention to shareholder value.

At the end of Mr Becker's 19-yesr reign, profits had recovered from a slide in the early *1990s,* but restructuring efforts were running out of *steam. Mr Bufe took* the matter in hand.

"No-ooe had been paying much attention to Degussa ... then the new management came along and said this is what the company does, these are our targets and this is how we are going to reach tbem," says Mr Patrick Shields, analyst at UBS in *London. "It spoke a completely different language to its predecessor."*

Witbin montbs of Mr Bufe's arrival as chairman, the company unveiled a decentralised structure forged around three main sectors: chemicals, which has about 38 per cent of *sales;* health *and* nutrition, whicb has about 29 per cent; and metals/banking, the division formed by tbe fusion of the company's metals activities with its small in-house bank. This has 33 per cent of sales. In addition, there are 11 operating units.

"The new structure has speeded up decision-making ... given greater operational responsibilities to the divisions' msnagers and made the individual units more cost-conscious," says Mr Bufe.

At the same time, Mr Bufe set financial targets for each sector and division. In chemicals Degussa aims to lift the *operating margin from* 7 *per* cent to at least 10 per cent, and in health and nntrition from 8 per cent to 10 per cent, by 1998-99.

Mr Bufe bolds regular discussions witb each of the units on budgets, performance and benchmarking. *"It is vital we know where* we stand in relation to the *competition,* and how our returns and market share ara doing." He says that while no disposals are planned at present, "underperformers will not be tolerated in tbe long term ... each division is constantly under surveillance".

Anotber feather in Mr Bufe's cap was last year's $350m purchase of Muro Pharmaceutical of the US. The acquisition of Muro, which has quadrupled sales to DM120m ($71.6m) in the past four yaars, will strengtben the existing respiratory drugs activities of *Asta Medica, Degussa'a* pharmaceuticals subsidiary, and provide it with a US distribution network.

There are weak spots, however. For example, Degussa's activities in hydrogen peroxide are suffering from pricing pressures *and overcapacity* in Europe. This is only partly offset hy growtb in North America and investment in new plants in Canada and Brazil. Cerdec, the group's pigments joint venture with Novartis of Switzerland, is generating "lousy results", Mr Bufe says.

However, he adds that restructuring should improve profitability and that the unit should reach its targeted return on equity of 15 per cent in the next three years.

Overall, however, the group appears healthy. In the first quarter, profits rose 20 per cent to DM115m – albeit from a weak year-earlier base – on a 16 per cent rise in sales to DM3.5bn. For *the full* year to *end-September,* profits growth should be "clearly above" last year's 2 per cent increase, the chairman says.

Analysts add that the group should reach its target of nearly doubling pre-tax profits, from DM413m in 1995-96 to at least DM800m by 1998-99.

Chemicals are benefiting from stronger demand. Furthermore, as Mr Christian Schlimm, analyst at Schröder Münchmeyer Hengst & Co. points out, about 70 per cent of Degussa's chemical products have a leading market position worldwide and about 80 per cent achieve an operating margin of at least 10 per cent.

Health and nutrition should be boosted by Muro and, with restructuring largely complete, the metals/bank sector – a "source of constant headaches" over the past few years – should post a profit this year after a DM27m loss last time, Mr Bufe says.

He admits the bank is of no strategic importance, but adds that it is a "solid and constant source of profits – why sell it?"

The rewards of Mr Bufe's strategy are clear: since his first press conference in the autumn, the shares have outperformed the DAX index by 7 per cent. It goes to prove that even a mild dose of shareholder value by US and UK standards goes a long way at traditional German company such as Degussa.

Sarah Althaus

Carrefour chief in euro plea

By Andrew Jack in Paris

The chairman of Carrefour, one of France's biggest retailers, yesterday called for European monetary union to be brought forward, and the euro to be introduced in a single step.

Mr Daniel Bernard, who was unveiling the group's annual results, said the quicker introduction of the euro would avoid the possibility of a clash with the French presidential elections in 2002.

The Carrefour chairman, who has publicly endorsed the move to monetary union, nevertheless warned yesterday that the country's politicians needed to prepare French public opinion ahead of a shift to the euro.

His comments are significant given the leading role that retailers will play in the implementation of the single European currency. Carrefour, which had group sales of FFr155bn ($27.4bn) last year, has 117 hypermarkets in France and 60 in other parts of Europe.

Mr Bernard also argued against existing plans to allow the use of francs and other national currencies for up to six months after the euro's launch.

He said such a transitional period would trigger substantial additional costs, on top of the already considerable computer, labelling and other expenses related to the change, which French retailers are attempting to evaluate.

Carrefour yesterday reported a 12 per cent drop in net profits, to FFr3.1bn, after taking into account a series of exceptional charges. These included a write-off of one-third of the cost of its acquisition of a large minority holding in the family-controlled rival Cora.

Mr Bernard conceded that Carrefour's acquisition in December of a 41.7 per cent stake in Cora, for FFr3.1bn, could be interpreted by some as a "mistake".

He admitted there was relatively little management co-operation from Cora, the traditional owners of which retained their majority control. However, he stressed his optimism of possible synergies between the groups.

Carrefour decided to take as an exceptional charge FFr1bn of the total costs of the acquisition of the stake. This led to a provision of FFr116m in the 1996 accounts, after the charge was offset by other operations, including a capital gain on the FFr900m sale of its CostCo business.

The group's operating profit was up 20 per cent to FFr3.2bn last year, and Mr Bernard stressed Carrefour's continued expansion in foreign markets, including new hypermarkets to be opened in Singapore and Poland this year, and Colombia and Indonesia in 1998.

Daniel Bernard: seeks early move to European monetary union

Herlitz to cut stake in Volga

By Chrystia Freeland in Moscow

Herlitz International Trading, the German-based paper trading house, is planning to sell at least part of its 33 per cent stake in Volga Paper and Pulp Mill, one of Russia's dominant paper producers.

The plan has surprised Moscow's business community, where Herlitz's initial acquisition two years ago was held up as an example of successful direct foreign investment.

Officials at Herlitz said they hoped to sell to an international pulp and paper producer, which could bring expertise.

Herlitz paid about $36m for its stake and has invested $200m in the company's operations.

Volga Paper and Pulp Mill once accounted for about 40 per cent of Russia's paper production. However, price weakness in global markets has hurt the company.

It stopped work at its mills on January 28. Operations are expected to resume on March 3 at only half capacity.

Volga said that for the past six months production costs had exceeded revenues, and that the mill had temporarily shut down to cut its losses.

Pro Sieben float a boost for Kirch

Unusually for the head of a German company, Mr Georg Kofler believes that stock markets are all part of the "adventure of business". But then Mr Kofler, chief executive of the Pro Sieben media group, is presiding over an unusual development in the German business and finance world: the flotation of a television network.

In early June the company, which is traditionally seen as being part of the KirchGroup media empire, will sell 17.5m non-voting preference shares on the Frankfurt stock market.

The sale will, according to Mr Kofler, raise about DM1bn ($597m) for Pro Sieben's existing shareholders, of which "several hundred million" will go to the company itself.

As well as German investors, Pro Sieben is hoping to attract interest from abroad to bring an international dimension to the company, which owns Germany's third-biggest commercial television channel. Mr Kofler also wants to see Pro Sieben's viewers, many of whom fall in the 14-49 age group which advertisers covet, become shareholders.

Such ambitions are evidence of further change within the world of German shareholders, which is still digesting the effects of the partial privatisation of Deutsche Telekom, the state telecommunications company, last November.

According to Mr Tom Hall, an analyst at Deutsche Morgan Grenfell in London, institutions have a "huge appetite" for German media paper. At present, few German media companies are listed. Only Axel Springer Verlag, the publishing group, is fully quoted, while Bertelsmann, Europe's biggest media company, issues participation certificates.

KirchGroup, whether directly or indirectly, will retain control of Pro Sieben while getting access to fresh capital

The interest in the German television market stems from its size – the largest in Europe – and its prospects.

"Rates of growth in German advertising will be ahead of elsewhere in Europe," says Mr Hall. Whereas advertising in Europe between 1996 and 2006 is forecast to grow by 5 per cent, in Germany it is tipped to rise by 9 per cent.

Furthermore, television's share of total advertising spending in Germany is forecast to rise from 22 per cent now towards the 30–35 per cent level common elsewhere in Europe.

Buoyancy about the prospects for German commercial television can be seen in France in the share price of Audiofina, a media company which owns half of the recently created CLT-Ufa television and radio group, which in turn owns RTL, Germany's most popular network.

"The Audiofina share price tells us that it expects margins in Germany to improve markedly," says Mr Hall.

Mr Kofler claims that Pro Sieben, which had sales in 1995 of DM1.46bn and profits of DM111m, has the largest profit margins of all German television companies.

Its debts, which in 1996 were more than DM1.5bn, are almost exclusively tied up in output commitments made before the recent price inflation in programming costs. "We bought the market share of tomorrow at yesterday's prices," says Mr Kofler.

Many, though not all, of those programmes were bought from the KirchGroup, conveniently located close to Pro Sieben's headquarters in a suburb of Munich. And it is the relationship with KirchGroup that overshadows the forthcoming flotation.

The initial decision to go public, which was announced at the start of 1996, was made because of increasing concerns by German media regulators of the power of Kirch in television.

As well as a dominant stake in Pro Sieben, held by Mr Kirch's son Thomas, Kirch was the largest shareholder in SAT-1, the second-biggest commercial network, and in Deutsches Sport Fernsehen, a sports channel.

In late-1995 Pro Sieben was converted into a joint stock company. The retailing company REWE took a 40 per cent stake while a 35.5 per cent block of shares was deposited with Hypo Bank and BHF Bank in advance of flotation.

At that time, the number of networks a company could control was restricted. Since then, however, German media law has been changed: from the start of this year companies can own any number of television networks. Concentration is now measured in terms of share of overall viewers.

By that measure there would be no need for Mr Kirch, or his son, to spin off Pro Sieben. Indeed the delay in coming to the market, which was first proposed for some time in the middle of last year, was interpreted as a sign that the flotation might not go ahead at all.

The decision to proceed hints at developments within KirchGroup. In the next few weeks, Mr Thomas Kirch is to take back the shares held by the banks and there will be a capital increase at Pro Sieben. The result is that 17.5m preference shares (of which Mr Thomas Kirch will own 15m) will be sold and of 17.5m voting shares, 40 per cent will be owned by REWE and 60 per ceot by Mr Thomas Kirch.

As such the KirchGroup, whether directly or indirectly, will retain control of Pro Sieben while getting access to fresh capital. For Kirch this could be a welcome development.

The company is straining from the costs of launching Germany's first digital pay-TV service, DF-1, which brought with it the burden of commitments to programming and decoder technology needed to unscramble digital signals.

Kirch is also in a tussle with Springer at SAT-1 where both have recently increased their shareholdings but are now fighting over who has ultimate control. Meanwhile, the network has been losing market share and money.

Frederick Stüdemann

EUROPEAN NEWS DIGEST

Stake sale helps lift Deutsche Bahn

Deutsche Bahn, Germany's state-owned rail company, yesterday said 1996 pre-tax profits rose 25 per cent to DM693m ($413m), while turnover edged ahead 1.3 per cent to DM30.2bn. Mr Heinz Dürr, chief executive, said profits were largely boosted by the sale of a DM200m stake in DBKom, Deutsche Bahn's telecoms subsidiary, to Mannesmann, the industrial conglomerate. The company had expected DM100m more in sales – which in net terms improved DM400m in 1996 – but said that poor economic conditions in Germany had dented business.

Mr Dürr also formally confirmed his retirement as chief executive. He will be replaced in June by Mr Johannes Ludewig, a state secretary in the economics ministry with responsibility for eastern Germany.

The company was still on course to complete its restructuring programme by 2002, Mr Dürr said. At that point Deutsche Bahn aims to operate without government subsidies and would probably be floated on the stock market. In anticipation of that Deutsche Bahn will regroup its operations into four division in 1999.

Mr Dürr also said Deutsche Bahn was considering letting some of its subsidiaries go to the market before 2002 to meet the company's considerable capital requirements.

In 1996 Deutsche Bahn received DM12.7bn in subsidies, DM7.1bn of which was for investments and DM5.6bn towards meeting liabilities from the former East German railway company.

Frederick Stüdemann, Berlin

RWE ahead 7.7% midway

RWE, the diversified German utility, yesterday reported a 7.7 per cent increase in after-tax earnings, to DM573m ($342m), for the six months to December as the group continued to reap benefits of restructuring. It predicted net profits for the 1996-97 business year would be higher than the DM1.2bn achieved the year before.

RWE said the results included DM82m of upfront costs incurred in building its telecommunications activities. These charges would rise further in the second half as its joint telecoms venture with Veba, another German utility, commenced business operations. Overall, sales rose 11.2 per cent to DM36.1bn. Strong growth in oil and chemicals operations, as well as telecommunications, offset reductions in the energy and mining divisions.

Ralph Atkins, Bonn

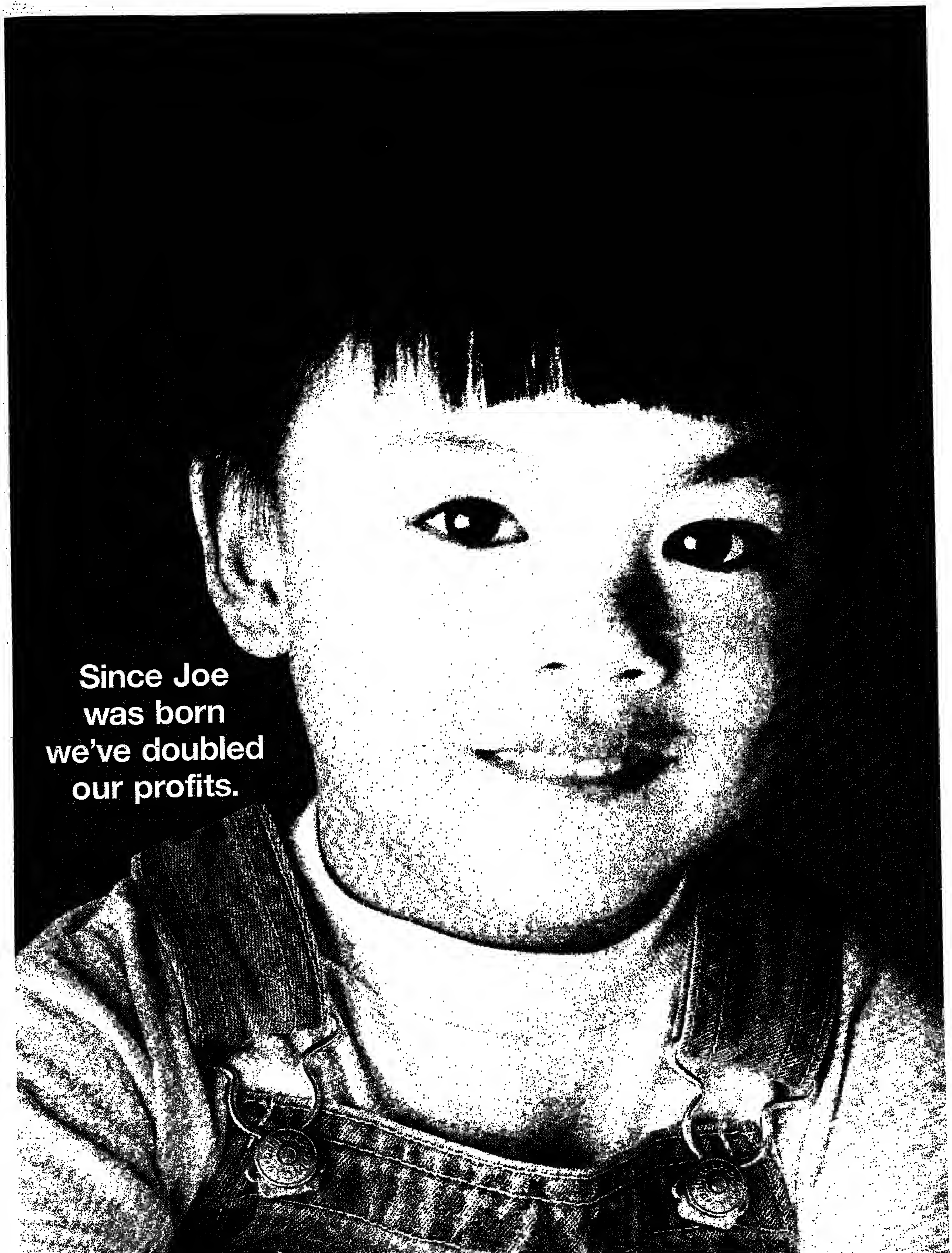
Bertrand Faure profits doubled

Bertrand Faure, the French automotive, aircraft equipment and luggage company, yesterday unveiled a tripling of annual profits, spurred by lower financial expenses and higher volumes in its main car seats division. Net consolidated income for 1996 jumped to FFr346.4m ($61.3m), from FFr115.8m a year earlier. This was achieved on sales ahead 10.7 per cent from FFr12.5bn to FFr13.9bn. Net income per share advanced from FFr5.60 to FFr17.70.

The group said the strong growth in automotive seats was "particularly noticeable" in the Iberian peninsula where it was well positioned with regard to several new vehicle models. It predicted a further improvement in 1997 in spite of continuing pricing pressures.

Financial expenses fell by about half from FFr179.1m to FFr87.1m. The result covered a period in which France's main carmakers have struggled in the face of a ferocious price war, with Renault expected to report a big loss.

David Owen, Paris



Joe was born in February 1994, when Standard Chartered announced annual profits of £401m. In the three years since, while he's been learning to walk and talk, we've doubled profits to £870m. Which are both, in their very different ways, remarkable achievements.

And while he's been developing into a force to be reckoned with, we've been harnessing technology, driving down costs and restructuring our organisation

Profit before tax

93	94	95	96
£401m	£510m	£661m	£870m

around businesses in Asia, Africa and the Middle East. But we never forget that our profits are made by people.

'People' means our 25,000 employees all over the world and our clients and customers large and small.

Our grateful thanks to you all.

Standard Chartered

Barclays falls short in share buy-back

By George Graham, Banking Correspondent

Barclays, the UK bank, fell short yesterday in its first attempt to buy back its own shares since the government removed tax rules that had favoured such repurchases.

As the stock exchange opened Barclays launched a £300m ($486m) buy-back operation aimed at cancelling up to 26m shares, about 1.7 per cent. By afternoon, however, it had only succeeded in buying 9.2m shares at a price of £11.37p each, for a total of £105m.

Mr Martin Taylor, Barclays chief executive, said the group remained committed to returning capital to shareholders and would be looking to buy again "as appropriate".

But he acknowledged that it would be more difficult to carry out buy-backs now that the tax advantages had been removed.

Barclays was one of the pioneers of share buy-backs in the UK, returning £868m of capital to shareholders through three buy-backs in the 12 months from August 1995.

But those shares were bought when tax-exempt institutional investors such as pension funds could reclaim advance corporation tax on repurchases.

Many institutions pocketed the 25 per cent tax credit from the Treasury and then bought the shares again after a decent interval.

The government scrapped the tax repayment for buy-backs and some special dividends last October. On yesterday's repurchase, sellers would have been liable to capital gains tax, as usual.

Mr Richard Coleman, banking analyst at brokers Merrill Lynch, said that many institutional investors had been reluctant to sell large quantities of Barclays or any other banking shares so soon before the arrival of four large building societies on the stock exchange.

The converting societies will be included in the market indices against which fund managers' performance is measured, but their shares will be distributed only to individual investors and borrowers, leaving institutions scrambling for them.

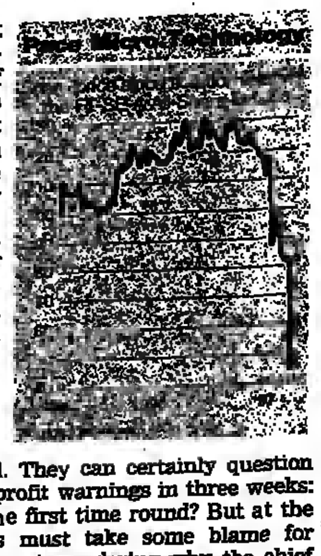
Barclays received a number of offers at a much higher price – the maximum permitted under stock exchange rules would have been 1178p – but did not want to pay such a steep premium. The shares closed 5p higher at £11.27.

LEX COMMENT

Barclays

The poor take-up of Barclays' buy-back suggests the bank underestimated the premium investors now require, without a tax bribe, to be persuaded to sell. That looks bad for buy-back enthusiasts like Mr Martin Taylor, Barclays' chief executive. Elsewhere in today's Financial Times, he argues that buy-backs are preferable to special dividends as a way of disgorging capital. He believes they benefit the shareholders who matter – those who do not sell. Yet it is precisely these shareholders who bear the unnecessary cost of buying out others at above-market prices. And if they are pension funds, they lose out because a buy-back brings no tax credits. Whatever the mechanism, some shareholders will suffer; the question is simply which. In that case, the principle for which Mr Taylor criticises Lex – the greatest good of the greatest number – does not seem bad.

Pace Micro



Mr Barry Rubery has lost his job as joint chief executive of Pace because of "irreconcilable differences of management styla". But what is likely to stick in investors' minds is the stylish way in which Mr Rubery and Mr David Hood, the other chief executive, cashed the bulk of their holdings for £51m and £127m respectively in last year's flotation – at twice yesterday's closing price. Investors can feel miffed that the original share sale, for which BZW was adviser and Panmure Gordon broker, was hyped. They can certainly question why Pace has needed two profit warnings in three weeks: was it unduly optimistic the first time round? But at the end of the day, investors must take some blame for buying the hype – and for not wondering why the chief executives were selling so much stock if the outlook really was so great.

Surprise bid for Whessoe

By Philip Coggan, Markets Editor

An alliance between companies in Norway and Switzerland prompted a trans-European bid battle yesterday in the form of a surprise offer for Whessoe, the UK specialist instruments and controls manufacturer.

The £52.6m bid was unveiled yesterday by Navia, a Norwegian company previously known as Seatex Garex, which supplies navigation and communication systems to the aviation and marine industries, and Endress & Hauser, a private Swiss company involved in process controls.

The bid from the European consortium topped a rival offer from Siebe, the UK engineering group, which announced an agreed £46m takeover of Whessoe a fortnight ago. Both offers are in cash, with the Navia/Endress bid at 175p per share and the Siebe deal at 155p.

Whessoe put out a holding statement last night noting the bid and saying that its board was meeting to discuss the offer. Siebe said it would respond in due course.

Navia has long been interested in Antronica, the marine technology and fire security business of Whessoe, and made a £36.5m offer for the subsidiary in November 1996.

Whessoe shares jumped 27p to 184p. Siebe shares fell 10½ to 965p.

Pace issues another warning

By Christopher Price

Pace Micro Technology, star of the new issues market last year when its flotation made millionaires of its two founders, yesterday ousted one as its joint chief executive and issued its second profits warning in three weeks.

The company is the largest supplier of set-top television digital decoders in Europe. Its shares yesterday tumbled 71p to 86p, well below the 172p at which they floated in June.

The fall means Pace is now valued at £184m against the flotation figure of £386m, which was more than double the forecast of the company's advisers.

The float came when British Sky Broadcasting, the satellite broadcaster, was unveiling plans for its new digital television service.

Barry Rubery (left) and David Hook

The company said yesterday that Mr Barry Rubery, who made £50m from the float, had left the board with immediate effect "due to irreconcilable differences of management style". The position of Mr David Hood, joint chief executive and cofounder, who made £100m from the float, is unchanged.

Mr Rubery retains a 10 per cent stake in the company, while Mr Hood has a 24 per cent stake.

Mr Rubery's departure and the profits warning angered some shareholders, who said they had been reassured by Pace directors three weeks ago that although profit forecasts would not be met the company retained "a strong market position".

Yesterday, the company said further disappointing trading news meant it would not beat its first half pre-tax profits of £10.2m in the second half to May 31. Analysts, who had downgraded their 1997 profit expectations from £50m to £34m three weeks ago, cut forecasts again, to £18m.

Mr Peter Morgan, the non-executive chairman who will take on the chairmanship full-time until a replacement is found, said Mr Rubery's management attitude "was not adapted to the collegiate style required of a public company".

He denied that Mr Rubery'e departure was linked to the profits warning.

"It is not a question of performance, but one of Barry's style becoming an increasingly important issue in taking the company forward."

Courtaulds forced into closure

By Jenny Luesby

Courtaulds yesterday announced a factory closure that will see Europe's production of viscose fall by a fifth this year in the face of competition from Asia.

The British chemicals company said it would be closing 25,000 tonnes a year of viscose fibre capacity at its Grimsby site in the UK, with the loss of 90 jobs.

Sniace of Spain has just closed 30,000 tonnes a year of capacity and Schwarza of east Germany is planning to close 20,000 tonnes.

The three closures together will reduce total European viscose capacity by a fifth, to just under 300,000 tonnes a year. The largest remaining producer, with more than a third of the market, will be Lenzing of Austria with capacity of around 120,000 tonnes, followed by Courtaulds.

However, Mr Gordon Campbell, chief executive of Courtaulds, said that even these moves would be insufficient to remove the over-supply caused through the expansion by Asian producers.

"Despite the closure of one of the smaller European producers and the prospective closure of another, it is clear that the western hemisphere is likely to remain over supplied for some time," he said.

However, Courtaulds' viscose business was now breaking even, after considerable losses last year.

It had chosen to impose the cut in the UK rather than Germany.

Courtaulds announced the closure in a trading statement ahead of its preliminary results in May. With the exception of viscose, trading in each of Courtauld's businesses had improved in the last few months, the company said.

However, currency movements, and the sale of four non-core businesses, had limited the impact of these improvements on profits.

Most analysts downgraded their profit forecasts for the company expecting pre-tax profits of £135m-£140m in the year to March, and £160m-£170m next year.

BAe cash pile swells to £726m

By Bernard Gray, Defence Correspondent

British Aerospace saw its cash pile swell by £523m ($847.26m) to £726m last year, and its order book boom from £6bn to £19.4bn as Airbus took off and it won orders from the Ministry of Defence for its Nimrod 2000 patrol aircraft and Storm Shadow missile.

Orders from Australia and Qatar for Hawk advanced jet trainers did not even make it into the final order total in time.

The company played down talk of a merger with GEC, saying that it had held discussions with everyone in the European aerospace industry and that the GEC talks had not progressed beyond the others.

The growth in the order book and improving cash position came as BAe unveiled a 38 per cent increase in profit before tax and exceptional items to £456m (£330m). Profits before tax were up by 82 per cent to £425m (£234m) reflecting heavy restructuring charges in 1995. The only exceptional item charged in 1996 was a regular £31m addition to top up the value of provisions on aircraft leases.

Operating profits in defence were up 13 per cent to £553m (£487m), reflecting higher turnover of £5.3bn (£4.5bn) and continuing efficiency gains. Tornado deliveries to Saudi Arabia under the Al Yamamah II programme are also due to peak this year.

Mr Richard Lapthorne, finance director, said that cash generation would be more difficult in 1997 as advance payments for Tornado aircraft were converted to work in progress on aircraft.

Losses in commercial aerospace were trimmed to £78m (£118m) as the Avro regional jet business continued to move towards break-even.

Performance of regional turbo-prop aircraft continues to be poor, with production of the Jetstream 41 aircraft at Prestwick in Scotland cut from 20 to 10 aircraft.

The shares fell 19½p to £12.53.

StanChart plans expansion

By George Graham, Banking Correspondent

After three years in which it has doubled trading profits while holding costs flat, Standard Chartered, the UK-based international bank, plans to boost investment over the next few years in an attempt to take advantage of its protected position in Asian banking markets.

Standard Chartered, which yesterday reported e 32 per cent rise in pre-tax profits to £870m ($1.41bn), expects to spend an extra £100m on top of last year's £1.09bn cost base to boost businesses such as credit cards and share custody.

Mr Patrick Gillam, chairman, said the bank had to take advantage of its position in the protected financial markets of the Asia-Pacific region.

Standard Chartered was once known as the bank which produced e new banana skin every year, but in the past three years it has implemented tighter controls and and moved away from corporate end investment banking towards retail banking in its core markets.

Last year, trading profits rose 25 per cent to £818m, with an additional £45m gain on the sale of its private banking interests.

Standard Chartered said that profits from Hong Kong, its most profitable market, had risen sharply, supporting predictions that the territory's banks would announce strong earnings growth during the forthcoming results season, writes John Ridding.

Operating profits from Hong Kong rose 25 per cent last year to HK$3.8bn ($493m), while margins improved to 3.1 per cent (2.8 per cent). Mr Gillem expressed confidence in Hong Kong's prospects under Chinese sovereignty.

Lex, Page 12

CU reels from pound's strength

By Christopher Adams, Insurance Correspondent

Commercial Union, the composite insurer, yesterday fuelled concern about the recent strength in sterling as it knocked £54m ($103.68m) off the group's full-year profits, exaggerating the effects of a cyclical downturn in insurance.

Mr John Carter, chief executive, defended its overseas exposure and said the life arm would be expanded, particularly in the UK, France and Asia.

Shares in CU dropped 24p to 666p due to the adverse currency effect on the group's net asset value, which fell further than expected to 545p a share by the year-end, from 582p. The comments on strategy also damped bid talk which had eupported the stock since it wes linked late last year with the financial services division of BAT Industries.

Operating profits fell 12.7 per cent to £444m last year on premium income of £8.24bn. Group life profits rose to £241m (£213m) at constant exchange rates, buoyed by a strong performance et the Delta Lloyd subsidiary in the Netherlands.

The life business accounted for 44 per cent of premium income. Profits from general insurance sank 21 per cent to £356m.

Heavy advertising expenditure substantially increased the reported losses last year for Eurofil, the telephone sales operation of CU France, formerly Groupe Victoire, writes Andrew Jack.

The division reported net losses of FFr109m ($19.12m), compared with losses of FFr78m last time, in spite of a 41 per cent increase in premium income to FFr90m. The number of contracts written almost doubled to 60,000 in the past 12 months as did advertising costs, to FFr50m during 1996.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Access Plus Φ	Yr to Dec 31	10.8	(10.1)	1.35♠	(1.41)	5.72	(6.42)	2.33	May 14	-	3.5*	-
Adwest Group	6 mths to Dec 31	100.6	(102.3)	6.29♠	(1.58♠)	5	(3.3L)	2.3	Apr 11	2.3	-	7.8
Bellwinch	6 mths to Dec 31	13.1	(9.54)	0.502	(1.54L♠)	1.1	(3.4L)	nil	-	nil	-	nil
Brewin Dolphin	Yr to Dec 31	41.5	(34.5)	5.03	(4.21)	15.1†	(14.3)	5.5	Apr 17	5	8	7
British Aerospace	Yr to Dec 31	6,464	(5,741)	425♠	(234♠)	67.1	(27.4)	9.375	-	7.5	15.625	12.5
Capital Shopping	Yr to Dec 31	133	(103.7)	58.4	(48.4)	11.8†	(10.7)	4.5	May 6	4	8.25	7.5
Card Clear Φ	Yr to Dec 31	5.75	(4.42)	1.08♠	(0.109)	1.23	(0.14)	-	-	-	-	-
Commercial Union	Yr to Dec 31	6,242§§	(6,657§§)	589	(634)	56.5†	(64.3)	18.85	May 16	17.55	30.3	28.25
CrestaCare	Yr to Dec 31	46.5	(43)	5.27	(2.93♠)	2	(0.9)	0.65	May 5	0.59	0.95	0.88
Delphi	Yr to Dec 31	210.6	(175)	12.3	(9)	33.05†	(25.42)	4	May 28	3	6	4.5
Domnick Hunter	Yr to Dec 31	50.7	(44.2)	8.59	(7.17)	16.89	(14.53)	4.32	Apr 24	3.6	7.2	6
Fairway Group	Yr to Dec 31	88.9	3.85									
ISA Intl	Yr to Dec 31	242.9	(211)	7.87	(6.29)	12.4	(9.9)	1.98	May 30	1.65	2.88	2.38
Inveresk	Yr to Nov 30	148	(130)	2.5♠	(8.29)	2.6	(11.1)	3.86	Apr 30	3.86	5.79	5.79
Logica	6 mths to Dec 31	147.9	(126.9)	10.6	(9)	11.7	(9.8)	3.6	Apr 15	3	-	7.8
Mayflower	Yr to Dec 31	274.6	(202.3)	17.9♠	(7.1♠)	5.32†	(2.5)	1.5	May 16	1.33	2.25	2
Pifco	6 mths to Oct 31	21.69	(21.32)	1.82♥	(1.58)	9.9	(8.8)	2.5	May 1	2.3	-	5.45
Prudential	Yr to Dec 31	-	(-)	1,614♥	(1,044♥)	34.1	(28.7)	11.5	May 28	10.4	17.3	15.7
Quayle Munro	6 mths to Dec 31	0.608	(0.493)	0.518	(0.431♠)	9	(8.1)	4	Apr 7	3.5	-	10.5
Rosebys	Yr to Dec 28	113.5	(69.2)	7	(4)	17.7	(11.8)	5.7	May 16	4	7.8	5.6
RPS Group	Yr to Dec 31	18.5	(13.9)	2.96	(2.23)	10.6†	(9.47)	2.15	May 6	1.85	4	3.4
Ryland	Yr to Dec 31♦	374.4	(278)	4.26♥	(2.9♥)	10.22	(7.59)	2.88‡‡	Apr 14	-	2.88	-
Standard Chartered	Yr to Dec 31	1,958#	(1,788#)	870♥	(681)	59	(45.9)	10.25	May 30	7.75	14.5	11
Towry Law	6 mths to Dec 31	7.88	(7)	1.16L	(1.47L)	5.8L	(6.8L)	nil	-	nil	nil	nil
Usher (Frank)	6 mths to Nov 30	10.5	(11)	1.05	(1.14)	9.7	(11)	4	Apr 3	4	-	11
Vardon	Yr to Dec 31	77.4	(52.6)	11.8	(9.1)	7.8†	(7.6)	1.45	May 2	1.25	1.9	1.65
Westport	6 mths to Oct 31	2.74	(7.77)	3.1L♠	(0.01)	2.5L	(0.01)	-	-	-	-	-
Whitney Mackay	6 mths to Oct 31	1.14	(1.27)	0.093L	(0.107)	1.4L	(1.6)	-	-	-	-	-
Zotefoams	Yr to Dec 31	21.4	(22.8)	6.9	(7.2)	12.6†	(13.1)	4	Apr 25	3.6	6	5.4

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
European Smr Cos	6 mths to Dec 31	155	(141.9)	0.034L	(0.021)	0.1L	(0.06)	-	-	-	-	0.7
Fleming Natural Res	Yr to Dec 31	119.35	(111.3)	0.309	(0.41)	0.75	(1)	0.54	May 6	0.54	0.54	0.54
Gartmore Emerging	Yr to Dec 31	128.2	(136.2)	0.136	(0.357)	0.21	(0.55)	0.19	Apr 30	0.19	-	0.19
Invesco Enterprise	Yr to Dec 31☆	-	(-)	0.074	(0.151)	0.64	(-)	0.25	Apr 23	0.25	0.25	0.25
Kleinwort High Inc	6 mths to Dec 31	94.28	(85.39@)	1.48	(1.35)	4.93	(4.49)	2.6‡	Apr 11	2.35	-	9.2

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ΦAim stock. *Excludes special of 1.32p. §§Total premiums. #Operating income. ♦Pro forma. ‡‡Final payment for 6 mths to Dec 31. 3rd interim. ☆Comparatives restated. @Restated. ‡2nd quarterly.

Genetic information would be extremely useful in advising individual addicts on recovery programmes

Telegraph Colour Library

Research into addictions may shed light on a range of behavioural disorders, says **Clive Cookson**

Compulsive findings

The idea that alcoholism runs in families dates back to ancient Greece; Aristotle declared that drunken women "bring forth children like themselves". Since systematic family studies started 100 years ago, higher rates of alcoholism have consistently been found among relatives of alcoholics than in tha general population, says Ernest Noble, director of the Alcohol Research Centre at the University of California, Los Angeles.

Of course, alcoholic families provide a drinking environment as well as a genetic inheritance. However, twin and adoption studies confirm that there is a clear hereditary component to the complicated disease of alcoholism.

Researchers are beginning to turn the scientific firepower of modern genetics on to addiction. Many psychologists believe that there is such a thing as an "addictive personality" – someona whose brain chemistry makes him or her unusually likely to become hooked on a pleasure-giving substance or activity, whether it is alcohol, cocaine or gambling.

"These people seem to be hard-wired at birth to have a different brain metabolism," Noble says. "They are vulnerable to a host of different problems, depending on what the environment presents them with. For example, in Utah they do not drink much but yon find a high rate of obesity."

Barry Everitt, a Cambridge University neuroscientist studying drug addiction, says the addictive personality is scientifically an attractive idea, but "when you squeeze the data set clinically, not much evidence is left. All the best data today is for alcoholism."

Even so, Everitt believes that understanding the biological and psychological processes underlying drug addiction "may shed light on a wide range of compulsive behaviour disorders ... including not only alcohol abuse and smoking but also compulsive eating, gambling and otber behaviours driven by reward, withdrawal effects and specific cues in the environment.

"Drug addiction may thus turn out to be one manifestation of a large family of related compulsive behaviour disorders," be says.

Alan Leshner, director of the US National Institute on Drug Abuse, says "there are individual differences in vulnerability to becoming addicted, and part of the difference is genetic. What we do not know yet is whether an individual has a characteristic genetic susceptibility to addiction as a whole or a different susceptibility to each substance."

At Nida's Baltimore researcb facility his colleague Roy Pickens is running a project to identify sub-types of alcoholic in whom the genetic factors are particularly strong. Results so far suggest that tha genetic loading is highest in peopla whose alcoholism is accompanied by other psychiatric disorders, such as major depression.

"Focusing on genetics is exciting," Pickens says, "but you must not lose sight of the other ways of becoming addicted. Drugs on their own can produce dependence, without any genatic influence."

Yon may start smoking nicotine, sniffing cocaine or shooting heroin for social reasons, but these drugs quickly alter the biochemistry of your brain so that you find it impossible to stop using them.

"Nicotine is extremely addictive," says David Nutt, professor of psycbopharmacology at Bristol University. "I do not know of any good evidence for the genetics of nicotine dependence, although some people do find it harder to stop smoking than others and it is plausible that genetic factors are involved."

When it comes to identifying specific genes involved in addiction, Ernest Noble and UCLA colleagues have made the early running in collaboration with Kenneth Blum's group at the University of Texas. Since 1990 they have been amassing evidence that one form of the "D2 dopamina receptor gene" plays a role in alcoholism and other forms of addiction.

Brain studies on human addicts and laboratory animals show that cocaine and amphetamines exert their primary effects on the biochemical system which uses dopamine as its neurotransmitter (messenger molecule). Otber drugs of abuse, including heroin, nicotine and alcohol, also affect the dopamine system.

D2 is one of several different nerve cell receptor proteins to which dopamine can bind. The gene for D2 is inherited in two genetic forms, known as the A1 and A2 alleles, and Noble and colleagues found that A1 occurs much more frequently among severe alcobolics than in the general population.

Some researcbers hava cast doubt on the strength of the association, but Noble says: "Given the heterogeneity of the alcoholics and the variation in controls [in different studies], it is not surprising that results have been inconsistent. However, at least seven different independent meta-analyses [combined studies] on a large number of Caucasian alcoholics and controls have confirmed a strong association of the A1 allele and alcoholism."

People with the A1 form have fewer D2 receptors and therefore a deficit in the dopamine system. According to Noble, it is a not an "alcohol gene" but a "reinforcement or reward gene". People may compensate for the deficit by using alcohol and other substances to increase dopamine levels in the brain.

It is likely that several genes will be implicated in alcoholism. Certainly, D2 cannot be the whole story. Although 30 per cent of the US population carry one or two copies of the A1 form, only 8 per cent of adults have a drink problem.

The other genes involved may have quite different functions. There is some evidence for an association between taste and alcobolism. People who inherit an insensitivity to hitter and fiery tastes are more likely to drink beavily.

The discovery of genes predisposing to alcoholism and drug abuse "opens the door to targeted prevention and treatment," Noble says. "In the past, you wouldn't know which individuals were at risk. In future, you could tell from a blood test which of your children will be more susceptible to drug abuse – and target your prevention efforts accordingly."

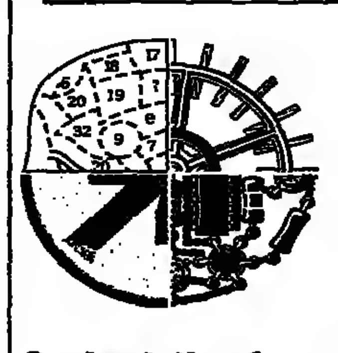
Robert Lefever, an addiction specialist who runs the UK Promis Recovery Centre, says genetic information would be extremely useful in advising individual addicts on their recovery programmes. "If a case of alcoholism is genetically determined, then that person cannot go back to sensible, moderate drinking," he says.

At the same time, genetics will assist the development of drugs to treat addiction. Already there have been successful small-scale tests of bromocriptine – a drug originally designed for Parkinson's disease – to treat alcoholics who have the A1 allele of the D2 receptor gene. Bromocriptine works by stimulating dopamine receptors, which are defective in Parkinson's patients.

But it is an old drug with serious side-effects ranging from nausea to ballucinations. It is possible that the new generation of Parkinson's drugs (such as SmithKline Beecham's ropinirole, a potent stimulant of D2 receptors) might work cleanly in weaning addicts off alcohol and drugs.

This is the final article in the monthly series on human genetics, which started in December 1995. A new series on medical technology will start soon.

Worth Watching - Vanessa Houlder



Cool solution for home heaters

Air pollution from domestic heaters could be drastically reduced by using flameless burners, according to German researchers. They have designed a burner that uses a catalyst to oxidise the mixture of air and natural gas, instead of burning it with a flame.

The device, developed by the Fraunhofer Institute for Solar Energy Systems, is undergoing pilot trials. The prototype produced just half a milligram of nitrogen oxides per kilowatt hour, which was 100 to 200 times less than conventional burners. The levels of carbon monoxide and unburned methane were barely detectable.

Although catalysts have long been considered for treating exhaust gases from cars and power stations, they have been difficult to apply to domestic heating systems because the heat destroys the catalyst. The researchers overcame this problem by combining the catalyst with a cooling device.

Fraunhofer Institute for Solar Energy Systems: Germany, tel 7614588213; fax 7614588320.

Pipe inspection robot advances

A miniature robot has been designed that will be able to inspect pipes with a diameter as small as 25mm.

Toshiba, the developer of the robot, believes it is the first reliable alternative to dismantling very narrow pipes before inspection.

The 16g robot is 110mm long and 23mm wide and can move at speeds of up to 7mm a second. The robot's vision is provided by a tiny camera which is mounted above a rubber two-digit 'hand' that can move foreign objects. The front and back wheels are linked by a rubber tube, allowing the robot to negotiate curves and bends.

Toshiba: Japan, tel 334572105; fax 334564776.

Isotope separation improvement

Isotopes – different forms of the same element – have a valuable role in industry and medicine. But existing methods for separating isotopes tend to be expensive or inefficient.

Scientists at the Weizmann Institute of Science in Israel believe they have developed a faster, more effective separation technique. It depends on the idea that different isotopes can be distinguished by the behaviour of their 'wavepackets', a concept drawn from quantum theory.

They applied an extremely short laser pulse to a mixture of different isotopes; a second pulse was applied to ionise one of the isotopes. The ionised atoms were then pulled out of the mixture using an electric field.

The researchers believe that wavepacket technology could be used for other applications, from controlling chemical reactions to developing ultrafast switches.

Weizmann Institute of Science: Israel, tel 89343852; fax 89344104.

Nanotubes in fine formation

Scientists working on carbon nanotubes, the microscopic, bollow carbon fibres, bave discovered that they can form themselves into doughnut-shaped rings, according to a report in Nature.

The researchers at the Center for Nanoscale Science and Technology at Rice University in Houston and Delft University of Technology in the Netherlands believe that studying these new formations – which have diameters of between 300 and 500 nanometres – could lead to a better understanding of these ultra-strong materials with intriguing electrical properties. Nanotubes are related to the carbon football-shaped fullerene cages known as buckyballs.

Rice University: US, tel 7135274688; fax 7132855329.

PUBLIC NOTICES

offer
OFFICE OF ELECTRICITY REGULATION

NOTICE UNDER SECTION 11(2) OF THE ELECTRICITY ACT 1989

The Director General of Electricity Supply (hereafter referred to as "the Director") pursuant to section 11(2) of the Electricity Act 1989 (c.29) (hereafter referred to as "the Act") hereby gives notice as follows -

(a) He proposes to make modifications to Conditions 1, 4 to 4E and 10 and to Part B of Schedule 3 (which contain or relate to the price control) of the licence which has been granted under section 6(1)(b) of the Act to The National Grid Company plc ("the licensee").

(b) In summary the effect of the modifications will be to amend these Conditions in relation to the year commencing on 1 April 1997 and subsequent years by providing:

(i) that the basic price control shall apply to total revenue instead of the average charge per kilowatt;

(ii) that maximum revenue shall take account of maintenance of connections made before the grant of the licence carried out by users but shall cease to take account of system maximum average cold spell demand;

(iii) that Xg means 4;

(iv) that in the price control formula, Pt-1 for the year commencing on 1 April 1997 shall be £868,100,000;

(v) a new formula whereunder the licensee may recover certain charges for the provision of transmission services uplift and reactive power uplift, provided responsibility for such provision has passed to the licensee;

(vi) for additional information to be given to the Director for the purposa of the new formula; and

(vii) that the date on which the licensee can next require a review of the price control provisions should be 31 March 2001.

(c) The reasons why he proposes to make the modifications and their effect were published by the Director in a statement on 3 October 1996.

(d) Any representations or objections to the proposed modifications may be made on or before 26 March 1997 to the Director at the Office of Electricity Regulation, Hagley House, 83-85 Hagley Road, Edgbaston, Birmingham B16 8QG.

A copy of the statement of 3 October 1996 and of the proposed modifications can be obtained (free of charge) from the Office of Electricity Regulation.

TM Davis
Authorised on behalf of the Director General of Electricity Supply

27 February 1997

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 27.02.97: Pool purchase price £/MWh	Final Prices for Trading on 30.01.97: Pool purchase price £/MWh	Final Prices for Trading on 30.01.97: Pool selling price £/MWh
0030	11.66	13.00	13.00
0100	12.06	20.49	22.07
0130	18.21	30.76	32.34
0200	18.21	30.76	32.34
0230	18.21	20.49	22.07
0300	41.00	29.35	30.93
0330	41.00	29.35	30.93
0400	12.06	20.49	22.07
0430	12.06	20.49	22.07
0500	11.66	20.49	22.07
0530	11.63	19.47	21.05
0600	11.65	13.00	13.00
0630	11.70	13.00	13.00
0700	19.78	27.11	28.69
0730	22.44	32.38	33.96
0800	22.81	34.49	36.08
0830	28.34	35.72	37.31
0900	28.34	35.74	37.34
0930	28.34	50.49	52.10
1000	28.34	50.50	52.11
1030	28.34	50.49	52.09
1100	28.34	50.47	52.07
1130	28.34	35.73	37.33
1200	47.23	35.73	37.32
1230	47.23	35.72	37.31
1300	47.22	35.71	37.30
1330	28.34	32.56	34.14
1400	22.81	32.56	34.14
1430	22.81	32.56	34.14
1500	22.81	32.56	34.14
1530	22.81	32.58	34.15
1600	22.81	32.59	34.19
1630	22.82	38.07	39.91
1700	29.46	58.18	60.17
1730	29.53	68.07	73.60
1800	43.24	69.47	73.94
1830	52.73	59.72	62.74
1900	52.67	49.78	51.83
1930	48.82	48.70	50.46
2000	42.85	41.45	43.08
2030	29.46	37.35	38.94
2100	29.44	32.55	34.14
2130	22.81	32.39	33.97
2200	22.81	32.39	33.97
2230	19.58	28.13	27.71
2300	19.56	19.47	21.05
2330	11.70	13.01	13.01
2400	11.70	11.89	11.89

Prices are determined for every half-hour in each twenty-four hour period. [illegible]

INTERNATIONAL CAPITAL MARKETS

Greenspan triggers a worldwide sell-off

GOVERNMENT BONDS

By Lisa Bransten in New York and Samer Iskandar and Richard Lapper in London

Mr Alan Greenspan, the chairman of the Federal Reserve, sent a shiver through the US Treasury market yesterday with comments interpreted as a signal that the Fed would raise interest rates in the near term. The resultant fall in Treasuries triggered a sell-off in all international markets, although losses in Europe were more limited than in the US.

By midday in New York, the yield on the benchmark 30-year Treasury had jumped nearly 10 basis points to 6.745 per cent as its price fell 1 1/32 to 98 19/32. The yield on the two-year note climbed 17 basis points to 6.010 per cent with the price falling 7/32 to 99 28/32. The March 30-year bond future lost 1 1/32 to 111 18/32.

Worries about a rise in short-term interest rates led the curve that maps the spread between two-year and 30-year yields to flatten by 6 basis points to 74 points.

As part of his semi-annual Humphrey-Hawkins testimony on the US economy, Mr Greenspan told the Senate banking committee that given the lags with which monetary policy affects the economy "we cannot rule out a situation in which a pre-emptive policy tightening may become appropriate before any sign of actual inflation becomes evident".

Mr Kevin Sluder, senior government bond trader at First Chicago Capital Markets, said people had started thinking the Fed was "going to wait for a real uptick in inflation and he sort of put the kabachi on that theory".

Mr Eric Fishwick, international economist at Nikko in London, said Mr Greenspan's testimony was more "hawkish" than some had anticipated. However, it made it clear that "real interest rates are high compared with the historic peaks and especially with 1994 and that overall inflationary conditions were not that bad".

The market appeared to be expecting a rate rise by May, he said, but a monetary tightening at the March meeting of the Fed's open market committee was not fully priced into the market.

Even before Mr Greenspan's testimony was released, the markets were lower as traders made way for the afternoon auction of $12.5bn in five-year notes. There was some worry about a poor showing, given Mr Greenspan's comments and tha fact that demand was below average at Tuesday's sale of two-year notes.

UK gilts, and German bunds were most affected, followed by French OATs, while the Spanish and Italian markets outperformed.

"Typically, markets with the highest presence of overseas investors suffer most from a sell-off in the US," said Ms Phyllis Reed, European bond strategist at BZW. "But bunds were relatively well supported: they only replicated about half the fall of Treasuries."

On the London International Financial Futures and Options Exchange, the March bund future closed at 103.07, down 0.30, after recovering from an intraday low of 102.87.

French bonds outperformed bunds, with the 10-year yield spread of bunds over OATs widening 1 basis point to 13 points. On Matif, the March notional future settled 0.22 lower at 130.00.

Today, the monetary policy council of the French central bank holds its fortnightly meeting. Although no change in policy is expected, BZW does not rule out "a surprise rate cut".

The high yielding Spanish and Italian markets also outperformed bunds, their 10-year yield spreads narrowing by two basis points to 118 and 171 points respectively.

These markets – Italy in particular – have suffered in recent weeks from uncertainty surrounding the timing of their participation in European economic and monetary union.

Analysts expect them to cootinue underperforming. BZW, for axample, expects their 10-year spreads over bunds to widen by roughly 30 basis points in coming weeks.

"But in the longer term, delaying their entry into the single currency will be seen as positive, because it would increase the chances of survival of Emu as a whole," Ms Reed said.

Auction of 25-year UK gilts receives a 'reasonable response'

Gilts underperformed most European government bonds yesterday, but analysts took heart from what they said was a "reasonable" response to the Bank of England's auction of 25-year stock, Richard Lapper writes.

"There was a fair level of demand from domestic investors [which showed] political uncertainty was not a major factor at the moment," said Mr John Shepperd, chief economist at Yamaichi International.

Mr Andrew Roberts, gilt analyst at UBS, said the auction was not a bad result. "A substantial number of accounts have switched from 10-year to longer-dated paper."

Bids covered 1.93 times the £2.5bn supply of 8 per cent gilts due 2021, with a price tail of 1/32 and a yield tail of 1 basis point. The lowest accepted bid was 106%; the highest 107 1/32. The previous auction of 25-year gilts in September was covered 1.73 times with a yield tail of 2 basis points and a price tail of 3/32.

Mr Roberts predicted the yield curve between 10-year and 20-year gilts could "flatten very violently" and possibly invert. Many investors are still underweight bonds of 15 years maturity or longer and there is a possibility the government might reduce such issuance.

In the cash market gilts' 10-year yield spread over German bunds widened from 175 basis points to 177 points. On Liffe the March long gilt future sank to a low of 112% following Mr Greenspan's speech, but then recovered some of the lost ground to settle at 112 21/32, down 7/32 on Tuesday's close.

Russian bank raises $50m

By Charles Clover in Moscow

Rossiyskiy Kredit Bank has become the second Russian bank in a few months to tap the international syndicated loan market.

High domestic real intersst rates have driven an increasing number of Russian borrowers into western credit markets. Appetite for comparatively high yields and optimism on Russia's prospects mean they have met a good response. Toko Bank was the first into this market, with an $85m borrowing in November.

Rossiyskiy Kredit Bank tapped the market for a $50m, 180-day loan at 450 basis points over Libor. "The same inter-bank dollar loan in Russia would cost us 9 per cent or 10 per cent over Libor," said Mr Dmitry Eropkin, vice-president. He said lending this money to a corporate borrower would command 20 per cent.

London Forfaiting Asia, which put the deal together, said its wide spread had been well received. "The loan started at $20m, but we had so much enthusiasm that we increased it to $50m," said Mr Victor Papadoulos, chairman.

Russia's tight monetary policy kept Russian real interest rates high throughout 1996, while poor tax collection continues to drive the government to tap domestic credit markets, exacerbating high interest rates and crowding out private borrowers.

"There's increased appetite for Russian assets abroad," said Mr Papadoulos. "But it's also a two-way street."

Wide choice for retail buyers

INTERNATIONAL BONDS

By Edward Luce

Japanese and European retail investors had a wide array of issues to choose from yesterday while for institutional investors the markat was unusually threadbare.

DeNIB, the Dutch finance house majority owned by the government, returned to the fixed-income dollar market after a 10-year absence.

Underwritten by Morgan Stanley, its $200m three-year issue was primarily targeted at retail investors. Traders said the bond, which was priced at 12 basis points over three-year Treasuries, got a lukewarm reception in the secondary market, with the debt widening to 14 basis points over Treasuries at one stage.

Traders also criticised tha issue for pricing against the three-year Treasury curve while carrying a maturity of nearer four years than three.

"It was unfortunate timing with the US Treasury market selling off so heavily," said a syndicate official in London. "But it was probably too tightly priced considering it matures in December 2000."

Finnish Export Credit tapped into sterling's growing popularity among overseas investors with a £250m issue aimed at the Japanese retail market. Yamaichi, the lead manager, said the popularity among Japanese investors of its previous sterling issues – notably Finland's £150m in January and a £250m three-year by International Finance Corporation earlier this month – had prompted it to return to sterling. The three-year issua was priced at a coupon of 6.25 per cent.

"The Japanese have a very strong appetite for sterling at the moment," said an official at Yamaichi in London. "What they are looking for is high-yielding markets and currencies with a strengthening outlook. Sterling has both." Yamaichi said the IFC and Finland issues had taken just two days to distribote compared with two weeks for most retail deht.

OKB, Austris's import-export bank, also tapped into sterling with a £100m three-year issue also aimed at the retail market. Commerzbank, joint lead underwriter with Paribas, said it expected tha issne, priced at 4 hasis points over three-year gilts, to be taken up mostly in the Benelux market.

Spintab, the Swedish mortgage company, issued a three-year $300m eurobond which was reportedly snapped up by investors yesterday afternoon. Asian investors took about 30 per cent of the offering while the UK took the largest share of the European distribntion said Lehman Brothers, the lead underwriters.

In the UK, Haven Funding, a special vehicle set up to give five indepeodent UK housing associations the scale to issue a hond, launched s 40-year £82.5m deal at 65 basis points over 2021 gilts. The debt was awarded a rating of AA by IBCA yesterday. An official at Hambros, which underwrote the offer, said the bonds would be serviced by rental income flows from their properties.

The Bank of Scotland opened up its £200m perpetual debt issue with another £100m to become the henchmark debt in the preference share market in the UK according to Merrill Lynch, sole lead manager.

Issued at 225 basis points over 2021 gilts, the debt was reportedly steady in afternooo trading.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Spintab‡	300	(a)	100.0115	Mar 1999	0.05	-	Lehman Brothers
DeNIB(s)	200	6.25	100.076R	Dec 2000	0.225R	+12(5%Feb00)	Morgan Stanley & Co Intl
D-MARKS							
LW Rentenbank(s)	300	5.00	99.631R	Dec 2003	0.30R	+12(6%Sep03)	ABN Amro Hoare Govett
DSL Finance(b,s)	100	4.50	101.44	Dec 2001	1.75	-	SBC Warburg
STERLING							
Finnish Export Credit(s)★	250	6.25	99.10	Mar 2000	0.20	-	Yamaichi Intl(Europe)
Oesterreichische Kontrollbank	100	6.00	97.051R	Mar 2000	0.1875R	+4(8%Aug99)	Commerzbank/Paribas
FRENCH FRANCS							
Council of Europe(c)	900	(c1)	100.00R	Mar 2007	0.325R	+23(4%Mar02)	Merrill Lynch Finance

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. ‡ Floating-rate note. R: Fixed re-offer price; fees shown at re-offer level. a) 3-mth Libor flat. b) DM250m launched 6/2/97 was increased to DM350m. c) Callable on 19/3/02 at par. c1) 4.73% to 19/3/02, then 7%. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	93.6868	–0.920	7.68	7.31	7.43
Austria		5.625	01/07	100.2500	–0.420	5.59	5.51	5.77
Belgium		6.250	03/07	104.0800	–0.370	5.71	5.59	5.72
Canada *		7.000	12/06	104.9500	–0.630	6.31	6.19	6.59
Denmark		8.000	03/06	111.7600	–0.400	6.26	6.17	6.39
France	BTAN	5.500	10/01	104.5727	–0.170	4.40	4.31	4.41
	OAT	6.500	10/06	108.2400	–0.280	5.39	5.31	5.60
Germany Bund		6.000	01/07	103.0400	–0.350	5.59	5.51	5.75
Ireland		8.000	08/06	110.9000	–0.430	6.42	6.38	6.57
Italy		7.750	11/06	103.9900	–0.360	7.17†	7.18	7.16
Japan	No 143	6.300	09/01	121.2857	-	1.37	1.33	1.42
	No 182	3.000	09/05	104.4586	+0.186	2.39	2.37	2.43
Netherlands		5.750	01/07	102.0200	–0.340	5.36	5.27	5.61
Portugal		9.500	02/06	118.5000	-	6.70	6.57	6.63
Spain		7.350	03/07	103.5400	–0.260	6.77	6.75	6.62
Sweden		8.000	08/07	109.2009	–0.710	6.74	6.67	6.65
UK Gilts		8.000	12/00	104-00	–6/32	6.78	6.68	6.94
		7.500	12/06	101-28	–17/32	7.23	7.09	7.39
		9.000	10/08	113-00	–21/32	7.32	7.18	7.47
US Treasury *		6.250	02/07	98-10	–27/32	6.48	6.30	6.54
		6.625	02/27	98-20	–38/32	6.73	6.57	6.82
ECU (French Govt)		7.000	04/06	106.1000	–0.380	5.83	5.71	5.91

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax of 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	5.98
Prime rate	8¼	Two month	-	Three year	6.07
Broker loan rate	7	Three month	5.16	Five year	6.25
Fed.funds	5 7/16	Six month	5.22	10-year	6.45
Fed.funds at intervention	5 7/16	One year	5.52	30-year	6.71

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	132.10	132.00	–0.22	132.14	131.86	97,156	136,070
Jun	130.64	130.72	–0.22	130.84	130.60	1,752	25,555
Sep	129.18	129.05	–0.22	129.16	129.10	102	1,822

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Mar	Calls Apr	Calls Jun	Puts Mar	Puts Apr	Puts Jun
128	4.00	2.77	3.08	-	0.06	0.40
129	3.00	1.86	2.33	-	0.14	0.62
130	2.00	1.08	1.66	-	0.36	0.94
131	1.03	0.48	1.09	0.03	0.77	1.37
132	0.14	0.16	0.88	0.14	1.44	1.95

Est. vol. total, Calls 10,221 Puts 14,914. Previous day's open int., Calls 172,070 Puts 254,631.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	103.28	103.07	-0.30	103.29	102.87	223432	227156
Jun	102.45	102.26	-0.29	102.46	102.10	38901	87473

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Apr	Calls May	Calls Jun	Calls Sep	Puts Apr	Puts May	Puts Jun	Puts Sep
10200	0.70	1.03	1.22	1.27	0.44	0.77	0.96	1.86
10250	0.44	0.76	0.95	1.04	0.68	1.00	1.19	2.13
10300	0.24	0.52	0.71	0.84	0.98	1.26	1.45	2.43

Est. vol. total, Calls 13648 Puts 16706. Previous day's open int., Calls 129685 Puts 137415

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	130.35	130.23	-0.31	130.57	130.05	75000	82496
Jun	129.80	129.68	-0.29	130.00	129.54	14524	35291

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
12950	1.96	2.71	1.78	2.65
13000	1.68	2.47	2.00	2.91
13050	1.42	2.24	2.24	3.18

Est. vol. total, Calls 5787 Puts 12215. Previous day's open int., Calls 49050 Puts 43227

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	113.73	113.64	–0.23	113.88	113.53	68,828	81,088
Jun	113.94	113.86	–0.26	114.10	113.85	4,707	17,114

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	113-00	112-21	-0-14	113-02	112-04	140761	143675
Jun	112-20	112-06	-0-15	112-20	111-28	41872	107181

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Apr	Calls May	Calls Jun	Calls Sep	Puts Apr	Puts May	Puts Jun	Puts Sep
112	0-58	1-32	1-53	2-23	0-46	1-20	1-41	2-41
113	0-28	1-01	1-22	1-59	1-16	1-53	2-10	3-13
114	0-12	0-41	0-61	1-35	2-00	2-29	2-49	3-53

Est. vol. total, Calls 2186 Puts 1498. Previous day's open int., Calls 60778 Puts 23136

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	98.08	87.76	–0.32	98.08	97.60	1,691	6,515

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	112-18	111-18	–1-01	112-24	111-08	287,716	395,229
Jun	112-03	111-02	–1-02	112-13	110-25	75,057	133,265
Sep	111-24	111-22	-	111-22	111-22	711	12,039

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	126.32	-	-	126.48	126.20	4323	n/a
Jun	124.93	-	-	125.06	124.76	2789	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Wed Feb 26	Day's change %	Tue Feb 25	Accrued interest	xd adj. ytd		Low coupon yield Feb 26	Low Feb 25	Low Yr. ago	Medium coupon yield Feb 26	Medium Feb 25	Medium Yr. ago	High coupon yield Feb 26	High Feb 25	High Yr. ago
1 Up to 5 years (19)	120.97	–0.10	121.09	2.06	2.45	5 yrs	6.88	6.83	7.28	6.96	6.89	7.32	7.00	6.94	7.41
2 5-15 years (21)	152.55	–0.31	153.02	2.79	1.53	15 yrs	7.37	7.33	8.11	7.37	7.33	8.13	7.39	7.35	8.25
3 Over 15 years (6)	174.21	–0.37	174.88	4.10	2.22	20 yrs	7.45	7.41	8.21	7.42	7.38	8.21	7.42	7.39	8.31
4 Irredeemables (5)	202.65	–0.18	203.02	3.48	1.00	Irred.†	7.49	7.48	8.28						
5 All stocks (51)	146.35	–0.25	146.71	2.77	2.06										

Index-linked							Inflation 5% Feb 26	Feb 25	Yr. ago	Inflation 10% Feb 26	Feb 25	Yr. ago
6 Up to 5 years (2)	206.34	–0.08	206.48	2.43	0.00	Up to 5 yrs	3.04	3.01	2.74	2.32	2.29	1.45
7 Over 5 years (10)	198.03	–0.23	199.49	0.92	1.81	Over 5 yrs	3.41	3.39	3.73	3.20	3.18	3.52
8 All stocks (12)	198.73	–0.21	199.14	1.07	1.61							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Feb 26	Feb 25	Feb 24	Feb 21	Feb 20	Yr ago	High*	Low*
Govt. Secs. (UK)	96.04	96.40	96.20	96.64	96.51	93.31	96.74	91.59
Fixed Interest	116.78	118.98	119.99	120.13	120.04	111.91	120.18	110.74

Gilt Edged Activity Indices

	Feb 25	Feb 24	Feb 21	Feb 20	Feb 19
Gilt Edged bargains	NA	95.8	91.5	88.3	90.0
5-day average	NA	91.3	96.7	99.3	98.7

 * for 1996/97. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on February 26

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK GILTS PRICES

Notes		Yield (1)	Yield (2)	Price £	+ or -	52 week High	52 week Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Other Fixed Interest

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCIES AND MONEY

Greenspan testimony lifts dollar

MARKETS REPORT

By Simon Kuper

The dollar jumped yesterday afternoon despite falls in the US stock and bond markets, which were prompted by hawkish remarks from Mr Alan Greenspan, chairman of the Federal Reserve.

Mr Greenspan, in his Humphrey-Hawkins testimony to the Senate banking committee, warned against "an upcreep in inflation", and said he could not rule out a pre-emptive interest rate rise. Some currency strategists expect a rate increase at the next Federal Open Market Committee meeting on March 25. However, Mr Greenspan also said the dollar's strength might help contain inflation.

As he had done in December, he questioned whether "irrational exuberance" was infecting stock markets.

His comments hit US asset markets and the dollar initially slumped too. But within minutes the currency rebounded, as traders took on board the Fed chief's underlying upbeat mood. "Even I must admit that our economic prospects in general are quite favourable," he said. Traders also came round to the view that an interest rate rise would make dollar holdings more attractive.

The dollar, which during Mr Greenspan's early testimony fell well below yesterday's closing levels, ended the day 1.3 pfennigs higher against the D-Mark in London at DM1.689 and unchanged against the yen at Y122.0. The Japanese currency rose more than Y0.5 against the D-Mark to Y72.25. The dollar also rose to SFr1.476 against the Swiss franc and gained against the southern European currencies.

The pound had a good day too, lifted by the strong dollar and by robust UK trade figures for December and January. These suggested that sterling's post-August rally had hit British exports by less than was previously feared. The pound rose 2.2 pfennigs against the D-Mark to DM2.760 but was unchanged against the dollar at $1.634. Currency strategists said the trade data suggested the pound could rise even higher while still remaining competitive.

Traders said the Bank of Italy bought lira and sold D-Marks in the market yesterday. The Italian currency closed slightly firmer at L994.2 to the D-Mark. But it remained under pressure from fears that European monetary union would be delayed. The Bank of Spain was seen buying pesetas.

■ Yesterday's dollar rise surprised many in the markets. In previous months the dollar has tended to fall with US stocks and bonds on any hint that the Fed might raise rates. Mr Jeremy Hawkins, chief economist at the Bank of America in London, said yesterday: "We've seen a dollar decoupling from the asset markets. The Dow and the bond markets are down but the dollar's flown on the back of it."

However, traders who are buying the dollar because they think interest rate yields will rise are flying in the face of history. Mr Nick Parsons, currency analyst at Paribas Capital Markets in London, demonstrated this in research earlier this month.

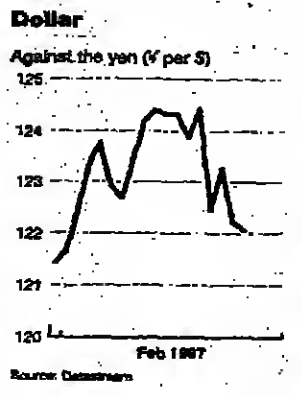
He showed that in four of the five US rate tightening cycles since 1972, the dollar dropped at least 10 per cent against the D-Mark and the yen in the 10 months after the first rate rise. He said that was because the rate increases led to US asset market sell-offs. However, Mr Parsons added that within two years of the initial rate rise, the dollar had tended to make up nearly all the lost ground.

Mr Hawkins said another reason why the dollar rebounded yesterday is that traders had sold it off too strongly beforehand, as they had expected Mr Greenspan to issue dire warnings against inflation.

■ A further reason why the dollar was weak before the Fed chief spoke is the market's fear that Japanese investors are repatriating foreign capital ahead of the end of their financial year in March.

But Mr Carl Weinberg, chief economist at High Frequency Economics in New York, said this would not happen as much this year as it had in the past, because Japanese accounting rules had changed. Investors no longer had to liquidate these assets in order to book profits, he said.

Dollar



Source: Datastream

■ **Pound in New York**

Feb 26	Latest	Prev. close
£ spot	1.6340	1.6335
1 mth	1.6332	1.6346
3 mth	1.6313	1.6327
1 yr	1.6232	1.6235

■ **OTHER CURRENCIES**

Feb 26	£	$
Czech Rp	46.7475 - 46.8129	28.6180 - 28.6440
Hungary	286.385 - 286.607	175.320 - 175.370
Iran	4902.90 - 4900.50	3000.00 - 3000.00
Kuwait	0.4950 - 0.4960	0.3030 - 0.3035
Poland	4.9781 - 4.9846	3.0475 - 3.0500
Russia	9263.58 - 9273.02	5671.00 - 5674.00
U.A.E.	5.9967 - 6.0021	3.6723 - 3.6726

POUND SPOT FORWARD AGAINST THE POUND

Feb 26		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	19.4236	+0.1484	148 - 323	18.4240	19.2275	19.3801	2.7	18.3238	2.1	-	-	103.7
Belgium	(BFr)	56.9415	+0.3881	030 - 799	56.9930	56.3710	56.8165	2.6	56.5516	2.7	55.3585	2.8	103.5
Denmark	(DKr)	10.5346	+0.0657	295 - 396	10.5428	10.4199	10.5146	2.3	10.4741	2.3	10.2951	2.3	105.5
Finland	(FM)	8.2160	+0.0593	078 - 241	8.2250	8.1330	-	-	-	-	-	-	83.4
France	(FFr)	9.3103	+0.0728	072 - 134	9.3150	9.2177	9.2898	2.7	8.2479	2.7	9.0432	2.9	106.4
Germany	(DM)	2.7597	+0.0211	585 - 608	2.7614	2.7295	2.7532	2.8	2.7399	2.9	2.6751	3.1	105.2
Greece	(Dr)	430.361	+2.674	150 - 573	430.976	426.436	-	-	-	-	-	-	66.9
Ireland	(I£)	1.0318	+0.003	313 - 325	1.0328	1.0270	1.0316	0.3	1.0306	0.4	1.0246	0.7	102.9
Italy	(L)	2744.31	+19.77	315 - 546	2748.53	2723.36	2747.08	-1.2	2751.46	-1.0	2749.51	-0.2	76.0
Luxembourg	(LFr)	56.9415	+0.3881	030 - 799	56.9930	56.3710	56.8165	2.6	56.5515	2.7	55.3585	2.8	103.5
Netherlands	(Fl)	3.1026	+0.0232	014 - 037	3.1037	3.0705	3.0948	3.0	3.0793	3.0	3.0058	3.1	103.2
Norway	(NKr)	10.9726	+0.1028	683 - 769	10.9861	10.8349	10.9601	1.4	10.9401	1.2	10.8351	1.3	102.9
Portugal	(Es)	277.224	+2.351	074 - 373	277.380	272.290	277.419	-0.8	277.789	-0.8	-	-	94.6
Spain	(Pta)	233.738	+1.788	640 - 836	233.880	231.470	233.743	0.0	233.643	0.2	231.868	0.8	77.8
Sweden	(SKr)	12.1984	+0.0739	893 - 074	12.2088	12.1058	12.1794	1.9	12.1349	2.1	11.9254	2.2	85.8
Switzerland	(SFr)	2.4118	+0.0218	104 - 132	2.4138	2.3842	2.4038	4.0	2.3885	3.8	2.3171	3.9	101.6
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	98.8
Ecu	-	1.4202	+0.009	193 - 211	1.4215	1.4080	1.4181	1.7	1.4133	1.9	1.3882	2.2	-
SDR†	-	1.18041	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6337	-0.0003	332 - 341	1.6417	1.6318	-	-	-	-	-	-	-
Brazil	(R$)	1.7177	+0.0008	171 - 183	1.7257	1.6613	-	-	-	-	-	-	-
Canada	(C$)	2.2317	+0.0078	307 - 326	2.2387	2.2201	2.2266	2.8	2.2157	2.8	2.1567	3.4	85.8
Mexico	(New Peso)	12.7183	+0.0467	070 - 296	12.7813	12.6700	-	-	-	-	-	-	-
USA	($)	1.6339	-0.0003	335 - 343	1.6420	1.6320	1.633	0.7	1.6309	0.7	1.6219	0.7	103.6
Pacific/Middle East/Africa													
Australia	(A$)	2.1038	+0.0004	026 - 050	2.1183	2.1017	2.1037	0.1	2.1025	0.2	2.0983	0.3	98.7
Hong Kong	(HK$)	12.6533	-0.0031	493 - 572	12.7148	12.6390	12.646	0.7	12.6321	0.7	12.5675	0.7	-
India	(Rs)	58.5672	-0.0546	120 - 223	58.8840	58.5100	-	-	-	-	-	-	-
Israel	(Shk)	5.4853	+0.0111	582 - 723	5.4770	5.4444	-	-	-	-	-	-	-
Japan	(Y)	199.434	+0.07	320 - 548	199.700	197.520	198.504	5.6	196.649	5.8	189.234	5.6	123.7
Malaysia	(M$)	4.0627	+0.0087	609 - 645	4.0816	4.0509	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3515	+0.0064	500 - 529	2.3618	2.3491	2.3537	-1.1	2.3582	-1.1	2.3759	-1.0	115.1
Philippines	(Peso)	43.0272	-0.0136	611 - 932	43.0936	43.1848	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.1272	-0.0015	253 - 291	6.1572	6.1205	-	-	-	-	-	-	-
Singapore	(S$)	2.3327	+0.0055	313 - 341	2.3423	2.3252	-	-	-	-	-	-	-
South Africa	(R)	7.2464	+0.0191	421 - 506	7.2814	7.2272	-	-	-	-	-	-	-
South Korea	(Won)	1408.42	-1	481 - 204	1414.81	1404.38	-	-	-	-	-	-	-
Taiwan	(T$)	44.9323	-0.0409	886 - 759	45.1478	44.8828	-	-	-	-	-	-	-
Thailand	(Bt)	42.3426	+0.0331	240 - 611	42.4460	42.2590	-	-	-	-	-	-	-

† Rates for Feb 25. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 26		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	11.8879	+0.0936	854 - 903	11.8910	11.7400	11.8732	1.5	11.8279	2.0	11.6329	2.1	103.8
Belgium	(BFr)	34.8500	+0.25	350 - 650	34.9050	34.4420	34.79	2.1	34.6625	2.2	34.1225	2.1	100.7
Denmark	(DKr)	6.4475	+0.0536	460 - 490	6.4490	6.3657	6.4398	1.7	6.4202	1.7	6.3365	1.7	105.2
Finland	(FM)	5.0285	+0.0372	247 - 322	5.0330	4.9686	5.0197	2.1	5.001	2.2	4.9185	2.2	83.1
France	(FFr)	5.6982	+0.0456	977 - 987	5.7032	5.6291	5.6298	1.8	5.6719	1.8	5.5962	1.8	106.3
Germany	(DM)	1.6880	+0.0132	887 - 893	1.6912	1.6673	1.6861	2.1	1.6802	2.1	1.6654	2.0	105.1
Greece	(Dr)	263.395	+1.685	330 - 460	264.030	260.570	264.95	-7.1	267.52	-6.3	270.545	-5.8	66.7
Ireland	(I£)	1.5835	-0.0049	829 - 840	1.5963	1.5805	1.583	0.3	1.5825	0.3	1.5838	0.0	-
Italy	(L)	1679.51	+12.41	931 - 990	1682.10	1662.71	1682.16	-1.6	1686.91	-1.7	1695.26	-0.9	75.8
Luxembourg	(LFr)	34.8500	+0.25	350 - 650	34.9050	34.4420	34.79	2.1	34.6625	2.2	34.1285	2.1	103.7
Netherlands	(Fl)	1.8989	+0.0146	986 - 991	1.9013	1.8754	1.8951	2.4	1.8871	2.5	1.8516	2.5	103.3
Norway	(NKr)	6.7156	+0.0641	146 - 166	6.7186	6.6208	6.7118	0.7	6.7062	0.6	6.6805	0.5	102.7
Portugal	(Es)	169.670	+1.47	620 - 720	169.800	166.000	169.875	-1.4	170.17	-1.2	170.945	-0.8	95.4
Spain	(Pta)	143.055	+1.12	030 - 080	143.240	141.400	143.14	-0.7	143.245	-0.5	142.95	0.1	77.8
Sweden	(SKr)	7.4658	+0.0465	621 - 695	7.4705	7.3961	7.463	0.5	7.4531	0.7	7.4058	0.8	95.4
Switzerland	(SFr)	1.4761	+0.0138	756 - 766	1.4788	1.4560	1.4723	3.1	1.4645	3.2	1.4316	3.0	101.8
UK	(£)	1.6339	-0.0003	335 - 343	1.6420	1.6320	1.633	0.7	1.6309	0.7	1.6219	0.7	97.8
Ecu	-	1.1505	-0.0076	500 - 509	1.1622	1.1491	1.1516	-1.1	1.154	-1.2	1.1680	-1.6	-
SDR†	-	0.720996	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0513	+0.0007	512 - 514	1.0516	1.0133	-	-	-	-	-	-	-
Canada	(C$)	1.3658	+0.005	656 - 661	1.3682	1.3579	1.3635	2.1	1.3585	2.2	1.331	2.6	83.3
Mexico	(New Peso)	7.7840	+0.03	790 - 890	7.7890	7.7760	7.902	-18.2	8.1625	-19.8	9.029	-16.0	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	104.8
Pacific/Middle East/Africa													
Australia	(A$)	1.2876	+0.0005	872 - 880	1.2883	1.2870	1.2883	-0.7	1.2891	-0.5	1.2944	-0.5	98.7
Hong Kong	(HK$)	7.7442	-0.0005	437 - 447	7.7448	7.7432	7.7441	0.0	7.7447	0.0	7.7557	-0.1	-
India	(Rs)	35.8450	-0.027	200 - 700	35.8750	35.8100	36.06	-7.2	36.52	-7.5	-	-	-
Israel	(Shk)	3.3449	+0.0073	414 - 484	3.3488	3.3238	-	-	-	-	-	-	-
Japan	(Y)	122.060	+0.065	020 - 100	122.330	120.800	121.585	4.7	120.58	4.9	116.38	4.7	124.6
Malaysia	(M$)	2.4865	+0.0058	860 - 870	2.4882	2.4785	2.4890	-1.4	2.4947	-1.3	2.516	-1.2	-
New Zealand	(NZ$)	1.4392	+0.0042	386 - 397	1.4399	1.4382	1.4415	-1.9	1.4458	-1.8	1.4685	-1.8	-
Philippines	(Peso)	26.3940	-0.0035	000 - 680	26.3980	26.3000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7501	-0.0002	498 - 503	3.7504	3.7495	3.7504	-0.1	3.7503	-0.1	3.7527	-0.1	-
Singapore	(S$)	1.4277	+0.0036	272 - 282	1.4283	1.4225	1.4255	1.8	1.4209	1.9	1.3997	2.0	-
South Africa	(R)	4.4350	+0.0125	335 - 365	4.4390	4.4210	4.4757	-11.0	4.5507	-10.4	4.8655	-9.7	-
South Korea	(Won)	862.000	-0.45	000 - 000	864.000	859.800	-	-	-	-	-	-	-
Taiwan	(T$)	27.5000	-0.02	800 - 200	27.5200	27.4800	27.5001	0.0	27.5003	0.0	-	-	-
Thailand	(Bt)	25.9150	+0.025	100 - 200	25.9200	25.8500	26.005	-4.2	26.1725	-4.0	26.81	-3.5	-

† SDR rate per $ for Feb 25. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Feb 25: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

February 26	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis rate	Repo rate
Belgium	4	3⅜	3½	3¼	3¾	8.00	2.50	-
France	3¼	3¼	3⅜	3¼	3½	3.10	-	4.75
Germany	3⅛	3¼	3⅜	3⅜	3¼	4.50	2.50	3.00
Ireland	5½	5⅞	5½	5¾	5⅞	-	-	6.25
Italy	7½	7½	7¼	7¼	6⅞	8.25	8.75	7.35
Netherlands	3⅛	3¼	3⅜	3⅜	3½	-	3.00	3.30
Switzerland	1⅝	1½	1⅝	1⅜	1⅝	-	1.00	-
US	5⅜	5⅜	5⅛	5½	5¾	-	5.00	-
Japan	½	½	½	½	¾	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅜	5⅜	5⅜	5⅜	-	-	-
US Dollar CDs	-	5.10	5.11	5.17	5.35	-	-	-
ECU Linked Ds	-	4⅛	4⅛	4⅛	4⅛	-	-	-
SDR Linked Ds	-	3½	3⅝	3½	3⅝	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Feb 26	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3½ - 3	4 - 3¾	[illegible]	3½ - [illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
German Mark	[illegible]	[illegible]	3¼ - 3⅛	[illegible]	[illegible]	[illegible]
Dutch Guilder	3¼ - 3	[illegible]	3⅛ - 3	[illegible]	[illegible]	[illegible]
French Franc	3¼ - 3⅛	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	6⅛ - 6	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Dollar	3 - 2⅞	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	5½ - 5⅜	[illegible]	[illegible]	5½ - 5⅜	[illegible]	[illegible]
Italian Lira	7⅞ - 7	[illegible]	[illegible]	[illegible]	7⅛ - 7	[illegible]
Japanese Yen	[illegible]	½ - ⅜	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	2¾ - 2⅝	[illegible]	4 - 3½	3¾ - 3¼	3¾ - 3¼	3¾ - 3¼

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.63	96.63	-0.02	96.64	96.62	17,854	54,267
Jun	96.63	96.63	-0.03	96.84	96.61	17,050	52,338
Sep	96.560	96.58	-0.05	96.61	96.57	2,406	35,664

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Apr	96.79	96.77	-0.02	96.79	96.77	590	8425
Jun	96.79	96.76	-0.04	96.79	96.75	48290	181649
Sep	96.72	96.69	-0.04	96.72	96.68	48602	160318
Dec	96.58	96.55	-0.04	96.58	96.53	34867	174330

■ **ONE MONTH EUROMARK FUTURES** (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.74	96.74	-	96.74	96.73	1637	18585
Apr	96.81	96.81	-	96.81	96.80	150	4222
May	96.82	96.82	-0.01	96.83	96.82	150	3987
Jun	-	96.83	-	-	-	0	430

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	92.76	92.75	-0.04	92.78	92.73	11590	77309
Jun	93.33	93.30	-0.06	93.36	93.28	27749	102494
Sep	93.62	93.60	-0.08	93.65	93.58	10639	50033
Dec	93.78	93.69	-0.12	93.78	93.68	7080	33120

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.25	98.29	+0.02	98.31	98.25	7110	30582
Jun	98.29	98.33	+0.03	98.37	98.27	15286	37476
Sep	98.20	98.26	+0.04	98.30	98.19	2021	15221
Dec	98.06	98.12	+0.06	98.14	98.06	2729	10554

■ **THREE MONTH EUROYEN FUTURES** (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	99.44	99.44	-0.01	99.44	99.44	350	n/a
Jun	-	99.41	-0.01	-	-	0	n/a
Sep	-	99.34	-0.01	-	-	0	n/a

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.76	95.76	-0.03	95.79	95.76	1603	10661
Jun	95.83	95.82	-0.04	95.84	95.82	1226	6471
Sep	95.84	95.83	-0.04	95.85	95.82	318	4092
Dec	95.79	95.80	-0.03	95.81	95.78	184	4674

* LIFFE futures also traded on APT

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
9275	0.09	0.63	0.97	0.09	0.08	0.12
9300	0.02	0.44	0.77	0.27	0.14	0.17
9325	0	0.28	0.59	0.50	0.23	0.24

Est. vol. total, Calls 6661 Puts 3828. Previous day's open int., Calls 151499 Puts 87478

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Feb 26		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	16.49	16.35	4.847	1.812	4818	5.450	19.27	486.8	410.4	21.43	4.236	1.756	3.920	2.870	350.2	2.494
Denmark	(DKr)	54.07	10	8.841	2.621	0.980	2606	2.947	10.42	263.2	221.9	11.59	2.291	0.950	2.120	1.552	189.4	1.349
France	(FFr)	61.18	11.31	10	2.965	1.108	2947	3.333	11.78	297.7	251.0	13.10	2.591	1.074	2.397	1.755	214.2	1.525
Germany	(DM)	20.63	3.815	3.373	1	0.374	994.2	1.124	3.975	100.4	84.67	4.420	0.874	0.362	0.808	0.592	72.25	0.514
Ireland	(I£)	55.17	10.20	9.021	2.674	1	2659	3.007	10.63	268.6	226.5	11.82	2.337	0.969	2.163	1.583	193.2	1.376
Italy	(L)	2.075	0.384	0.339	0.101	0.038	100.	0.113	0.400	10.10	8.517	0.445	0.088	0.036	0.081	0.060	7.267	0.052
Netherlands	(Fl)	18.35	3.393	3.000	0.889	0.333	884.3	1	3.535	89.33	75.31	3.932	0.777	0.322	0.719	0.527	64.28	0.458
Norway	(NKr)	51.91	9.599	8.487	2.518	0.941	2501	2.829	10	252.7	213.0	11.12	2.198	0.912	2.035	1.490	181.8	1.294
Portugal	(Es)	20.54	3.799	3.359	0.996	0.372	989.9	1.119	3.957	100.	84.31	4.401	0.870	0.361	0.805	0.589	71.93	0.512
Spain	(Pta)	24.36	4.506	3.984	1.181	0.442	1174	1.328	4.694	118.6	100.	5.220	1.032	0.428	0.955	0.699	85.32	0.608
Sweden	(SKr)	46.67	8.631	7.631	2.262	0.846	2249	2.543	8.992	227.2	191.6	10	1.977	0.820	1.830	1.339	163.4	1.164
Switzerland	(SFr)	23.61	4.366	3.860	1.144	0.428	1138	1.286	4.548	114.9	96.89	5.058	1	0.415	0.925	0.677	82.67	0.589
UK	(£)	56.94	10.53	9.310	2.760	1.032	2744	3.103	10.97	277.2	233.7	12.20	2.412	1	2.232	1.634	199.4	1.420
Canada	(C$)	25.51	4.718	4.171	1.237	0.462	1229	1.390	4.915	124.2	104.7	5.466	1.081	0.448	1	0.732	89.34	0.636
US	($)	34.85	6.444	5.698	1.689	0.632	1679	1.899	6.714	169.8	143.0	7.466	1.478	0.612	1.366	1	122.0	0.869
Japan	(Y)	28.56	5.281	4.669	1.384	0.518	1376	1.556	5.502	139.0	117.2	6.118	1.210	0.502	1.119	0.819	100.	0.712
Ecu		40.10	7.415	6.556	1.944	0.727	1932	2.185	7.725	195.2	164.6	8.592	1.699	0.704	1.572	1.151	140.4	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.5987	0.5966	-0.0020	0.6004	0.5966	24,822	87,698
Jun	0.6018	0.6016	-0.0003	0.6023	0.6000	1,803	7,865
Sep	0.6036	0.6041	-0.0015	0.6041	0.6036	9	2,425

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6858	0.6854	-0.0002	0.6884	0.6834	11,486	50,691
Jun	0.6920	0.6905	-0.0015	0.6944	0.6898	754	3,721
Sep	0.6970	0.6970	-0.0017	0.6980	0.6970	146	1,778

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8252	0.8267	+0.0018	0.8317	0.8235	17,111	74,734
Jun	0.8354	0.8400	+0.0045	0.8425	0.8354	1,329	4,823
Sep	0.8485	0.8480	+0.0017	0.8488	0.8483	17	876

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.6352	1.6410	+0.0056	1.6410	1.6332	10,057	34,912
Jun	1.6326	1.6380	+0.0054	1.6380	1.6324	209	2,814
Sep	-	1.6320	+0.0030	1.6320	-	140	1,231

UK INTEREST RATES

LONDON MONEY RATES

Feb 26	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5⅞ - 5	6 - 5⅞	6⅛ - 6	6¼ - 6⅛	6⁷⁄₁₆ - 6⁵⁄₁₆	6¹³⁄₁₆ - 6⁹⁄₁₆
Sterling CDs	-	-	6⅛ - 8	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	5⅞ - 5¾	-	-
Bank Bills	-	-	[illegible]	6 - [illegible]	6¼ - 6⅛	-
Local authority deps.	[illegible]	[illegible]	6⅛ - 8	[illegible]	[illegible]	[illegible]
Discount Market deps	6 - 5⅝	6 - 5⅞	-	-	-	-

UK clearing bank base lending rate 6 per cent from October 30, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc. Ave. tender rate of discount on Feb 21, 5.8591pc. ECGD fixed rate Stg. Export Finance. Make up day Jan 31, 1997. Agreed rate for period Feb 26, 1997 to Mar 25, 1997, Scheme III 7.69pc. Reference rate for period Jan 1, 1997 to Jan 31, 1997, Schemes IV & V 6.409pc. Finance House Base Rate 6½pc from Feb 1, 1997

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.73	93.73	-	93.74	93.72	5341	101506
Jun	93.56	93.54	-0.03	93.59	93.52	15471	127476
Sep	93.37	93.33	-0.05	93.38	93.32	11766	89273
Dec	93.24	93.20	-0.05	93.24	93.17	10271	57814
Mar	93.14	93.10	-0.05	93.14	93.07	2493	38861

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
9350	0.24	0.18	0.15	0.01	0.12	0.32
9375	0.04	0.06	0.07	0.08	0.26	0.49
9400	0	0.01	0.03	0.27	0.47	0.70

Est. vol. total, Calls 1751 Puts 3450. Previous day's open int., Calls 220166 Puts 183978

EMS EUROPEAN CURRENCY UNIT RATES

Feb 26	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Portugal	197.398	196.197	+0.089	-0.61	2.65	4
Finland	5.85424	5.82137	-0.0072	-0.56	2.60	4
Ireland	0.798709	0.733179	+0.000256	-8.20	11.14	55
Spain	163.826	165.561	+0.169	1.06	0.95	-7
Netherlands	2.16979	2.19585	-0.00012	1.20	0.81	-9
Germany	1.92573	1.95252	-0.00063	1.39	0.62	-14
Austria	13.5485	13.7423	-0.0038	1.43	0.58	-10
Denmark	7.34555	7.45410	+0.00227	1.48	0.54	-10
Belgium	39.7191	40.3049	-0.0084	1.47	0.54	-11
Italy	1906.48	1944.66	-	2.00	0.02	-15
France	6.45863	6.58830	+0.00088	2.02	0.00	-17
NON ERM MEMBERS						
Greece	295.269	304.980	-0.297	3.29	-1.23	-
UK	0.793103	0.712413	+0.000309	-10.17	13.58	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	Calls Mar	Calls Apr	Calls May	Puts Mar	Puts Apr	Puts May
1.600	3.65	4.17	-	0.25	0.85	1.49
1.610	2.84	3.47	-	0.44	1.15	1.84
1.620	2.17	2.83	3.46	0.72	1.51	2.24

Previous day's vol., Calls 91 Puts 298. Prev. day's open int., Calls 34,111 Puts 50,593

■ **PHILADELPHIA SE D-MARK/$ OPTIONS** DM62,500 ($ per DM)

Strike Price	Calls Mar	Calls Apr	Calls May	Puts Mar	Puts Apr	Puts May
0.590	1.00	1.33	1.63	0.22	0.41	0.51
0.595	0.67	1.02	1.33	0.35	0.64	0.80
0.600	0.41	0.76	1.06	0.59	0.84	1.04

Previous day's vol., Calls 2,350 Puts 697. Prev. day's open int., Calls 33,453 Puts 31,961

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.50	94.46	-0.05	94.51	94.46	38,095	385,905
Jun	94.37	94.26	-0.11	94.37	94.25	49,026	405,758
Sep	94.22	94.09	-0.13	94.23	94.08	60,019	307,161

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	95.02	94.98	-0.04	95.02	94.98	498	5,401
Jun	94.92	94.80	-0.12	94.92	94.80	451	3,830
Sep	-	94.76	-	-	-	46	1,458

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	Calls Mar	Calls Apr	Calls May	Calls Jun	Puts Mar	Puts Apr	Puts May	Puts Jun
9675	0.03	0.06	0.08	0.10	0.02	0.05	0.07	0.09
9700	0	0.01	0.01	0.02	0.24	0.25	0.25	0.26
9725	0	0	0	0	0.49	0.48	0.49	0.48

Est. vol. total, Calls 13546 Puts 10775. Previous day's open int., Calls 524680 Puts 315738

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
9850	0.02	0.06	0.11	0.23	0.29	0.35
9875	0	0.02	0.04	0.46	0.44	0.53

Est. vol. total, Calls 300 Puts 0. Previous day's open int., Calls 5660 Puts 9810

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Duncan Lawrie	6.00	Royal Bk of Scotland	6.00
Allied Irish Bank (GB)	6.00	Exeter Bank Limited	7.00	●Singer & Friedlander	6.00
●Henry Ansbacher	6.00	Financial & Gen Bank	7.00	●Smith & Williamson Secs	6.00
Bank of Baroda	6.00	●Robert Fleming & Co	6.00	Scottish Widows Bank	6.00
Banco Bilbao Vizcaya	6.00	●Guinness Mahon	6.00	TSB	6.00
Bank of Cyprus	6.00	Habib Bank AG Zurich	6.00	United Bank of Kuwait	6.00
Bank of Ireland	6.00	●Hambros Bank	6.00	Unity Trust Bank Plc	6.00
Bank of India	6.00	Heritable & Gen Inv Bk	6.00	Western Trust	6.00
Bank of Scotland	6.00	●Hill Samuel	6.0	Whiteaway Laidlaw	6.00
Barclays Bank	6.00	C. Hoare & Co	6.00	Yorkshire Bank	6.00
Brit Bk of Mid East	6.00	Hongkong & Shanghai	6.00		
●Brown Shipley & Co Ltd	6.00	Investec Bank (UK) Ltd	6.00		
Citibank NA	6.00	Julian Hodge Bank	6.00		
Clydesdale Bank	6.00	●Leopold Joseph & Sons	6.00		
The Co-operative Bank	6.00	Lloyds Bank	6.00		
Coutts & Co	6.00	Midland Bank	6.00		
Cyprus Popular Bank	6.00	NatWestminster	6.00		
		●Rea Brothers	6.00		

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COMMODITIES AND AGRICULTURE

Prospects of strike action lift nickel

MARKETS REPORT

By Peter John

Prospects of strike action at the world's largest nickel producer sent nickel prices sharply higher on the London Metal Exchange.

Prices for the three-month contract fell to $7,760 a tonne in the pre-market but improved on reports that workers at Norilsk Nickel in Russia were unhappy with management proposals for paying wage arrears and would strike on March 15.

Norilsk is one of Russia's most valuable companies and in 1995 accounted for 20 per cent of the world's nickel production and 40 per cent of platinum output. However, since being taken over by a Moscow bank some 18 months ago, there have been battles with management and problems with wages.

"The stainless steel mills in Germany and France are buying direct from Norilsk and are bound to be concerned about supply at a time when stainless steel production is picking up," said Mr Robin Bhar, metals analyst at Brandeis, the Pechiney subsidiary.

The three-month contract ended the afternoon up $75 at $8,015 a tonne and some dealers said it was quoted above $8,100 afterwards.

Meanwhile platinum rose $1.70 to $383.50 a troy ounce and palladium $7.85 to $150.

Technical position-taking on the International Petroleum Exchange led to volatile oil prices. Brent crude for April delivery rose in early London dealing but fell later and at 6pm was trading down 15 cents at $19.50 as dealers took a more cautious line on the outlook.

Four of the five big securities houses – BZW, HSBC James Capel, SBC Warburg, Dresdner Kleinwort Benson and UBS – have an average forecast of $19 a barrel this year and one believes it will fall as low as $18.50.

Mr Mehdi Varzi, of Dresdner, said: "I don't expect crude to fall immediately to $18 but it will happen by the middle of the year because crude supplies are rising."

Next year, the consensus forecast slides to $18, although NatWest Securities has argued for $20 a barrel this year and a $21 in 1997.

Hopes of a revival in cocoa prices were lifted by comments about tight production. The May contract, currently near a 3½-year low, recovered £6 to £880 a tonne.

Mr Lambert Kouassi Konan, Ivory Coast's agriculture and livestock minister, said the country would produce a 1996-97 total crop of less than 1m tonnes.

Ivory Coast is the world's largest cocoa supplier and the estimate is below analysts' forecasts of up to 1.1m tonnes. It is also less than the previous year's record estimated at 1.2m tonnes.

"Ivorian ministers are always talking the crop down," said one specialist. "It's only human nature."

But he added that the contract was underpinned by technical support. US and UK funds have been taking big short positions and the equivalent of up to 150,000 tonnes of cocoa will have to be accounted for before the May contract expires.

Special salads set for growth

By Maggie Urry

Speciality salad products like vine-ripened tomatoes and lollo rosso lettuce offer the best opportunities for the European salads industry, according to a report published today by Strathclyde University.

The report concludes that over-supply of commodity-type salads and slow-growing or even static demand, have led to market saturation and will keep producer's margins low. "Less efficient producers are likely to be forced out of the industry," the report suggests, predicting "further rationalisation of the supply base".

The problem is most prevalent in round tomatoes, but is increasingly true in lettuce, cucumbers and peppers, the report says.

Diversification into new varieties has "potential for higher margins". In a market where food consumption generally is rising only slowly, there should be faster growth in demand for "added-value, speciality and premium products".

In tomatoes, production of truss, plum, cherry and beef varieties is increasing. In the Netherlands, 40 per cent of tomato production is now devoted to vine-ripened varieties.

For lettuce, speciality varieties such as lollo rosso, red oakleaf and endive, and more convenient packs of ready-washed and prepared lettuce are gaining ground.

The study also found that UK consumption of salads was the lowest in Europe at 12kg per head, while at the other extreme people in Spain eat 107kg each a year. Most European countries' consumption falls in the 20–40kg range.

Producers in the Netherlands and the UK have been most active in diversifying out of standard commodity products into newer varieties. Northern European producers have a competitive advantage over those in Southern Europe in speciality products, the study says, mainly due to climate. However, rising production from Eastern European countries could pose a threat to established growers in future.

The European Salads Industry: Prospects to 2005, Department of Marketing, University of Strathclyde, Stenhouse Building, 173 Cathedral Street, Glasgow G4 0RQ

Sharp fall in gold investment

By Michael Peel

Investment in gold in developed markets worldwide fell by 57 per cent last year, the World Gold Council said yesterday.

The council, a promotional organisation financed by some of the world's leading producers, said sentiment was affected by fears of European central banks selling gold in an attempt to qualify for European monetary union.

Mr George Milling-Stanley, manager of gold market analysis for the council, said the fall in investment reflected "unprecedented" short-selling by speculators – selling gold they did not own in the hope they could buy it later and make a profit. Investors were betting on gold falling on fears of reserve sales by the International Monetary Fund and European central banks.

However, Mr Milling-Stanley played down the talk of central bank sales. "If you talk to central bankers, they will tell you that the whole thing is exaggerated," he said. "We know about the gold sales in Belgium and the Netherlands, but these were offset by other purchases and also by unrecorded purchases in Asia."

Overall consumption in the 22 countries monitored by the council, accounting for some 75 per cent of demand, fell by just under 4 per cent to 2,624 tonnes.

Gold demand in Japan fell 41 per cent to a seven-year low of 170.3 tonnes. This reflected substantial profit-taking on gold bought after the Kobe earthquake in 1995.

Demand in Europe fell 6 per cent to 283.5 tonnes. Increased jewellery purchases allowed the US market to expand 6 per cent to 345.3 tonnes. Overall jewellery sales were the highest ever recorded by the council.

Developing markets continued to grow, with demand exceeding 500 tonnes for the first time in India, the world's largest market.

The biggest increases were in Latin America, where demand showed a rise of 18 per cent to 100 tonnes. This was attributed to a rise in the number of people with sufficient disposable income to buy luxury items.

Jewellery demand in Brazil rose 31 per cent in the last quarter of 1996, helped by innovations such as electronic retailing.

Demand fell 13 per cent in China, Taiwan and Hong Kong. Demand in Taiwan fell by nearly a quarter, as high unemployment led to a sharp reduction in spending.

A drop of 6 per cent in China reflected people's increasing use of disposable income to buy services previously provided by the state, said Mr Milling-Stanley.

"What has happened in 1996 is that investment has dropped back to a much more normal level, commensurate with the early 1990s and late 1980s," said Mr Milling-Stanley. "We had a weird spike in 1995 for a variety of reasons, and this has disappeared in 1996."

COMMODITIES NEWS DIGEST

Soyabean futures ease on CBOT

Soyabean futures prices on the Chicago Board of Trade eased slightly yesterday after a robust Tuesday rally that inspired an overnight round of farmer selling. Soyabean prices for May delivery came within striking distance of $8 per bushel on Tuesday, a confirmation, analysts said, of growing worldwide demand for soy-based animal feeds and cooking oils.

Referring to the rally in soyabeans, Mr Joe Victor, grains analyst with Allendale, a Chicago-based research and advisory service, said "the remarkable thing is all of this is happening despite Brazil being in the midst of its soyabean harvest, and selling rather aggressively".

The US Department of Agriculture has estimated that only 140m bushels of soyabeans will be left in farmers' bins at the end of the 1996-97 marketing year, barely enough to keep the marketing "pipeline" primed. Cattle feeding numbers released earlier this month confirm rising domestic demand, Mr Victor said.

Worldwide, private forecasters expect global soyabean demand to rise to 168m metric tonnes this year from 166.73m in 1995-96. Much of the growth comes from Asia, where diets and incomes are improving. Mr Victor said in the US, some northern wheat farmers may shift spring plantings to soyabeans to capture higher oilseed prices, helping to feed global demand.

On Tuesday, a private forecaster estimated US soyabean plantings this spring would reach 64.5m acres, up from 64.21m last year. The US Department of Agriculture will release its first soyabean planting forecasts on March 31.

Laurie Morse, Chicago

Aluminium smelting shortfall

The global aluminium industry is facing a shortfall of nearly 1m tonnes of primary smelting capacity by 2000, consultant CRU International said in a report. But the industry should be wary of expanding too fast, even though about 11m tonnes of new capacity will be needed over the next 15 years, it added.

"High prices are likely to accompany this capacity squeeze and the industry will have to guard against its historical tendency to over-invest in greenfield smelters, as this would result in a prolonged period of structural over-capacity," CRU said. At least 2.4m tonnes of the required 11m tonnes will materialise through so-called "capacity creep", the process of improvement within existing smelters.

For example, at Kaiser Aluminium's Mead smelter in the US, commissioned in the 1940s and 1950s, potline capacity has increased by nearly two-thirds.

The capital cost of adding capacity through "capacity creep" is usually 60 per cent less per tonne than through greenfield and brownfield investments.

Reuters, London

Coated paper prices to rise

Mead of the US is raising prices for coated publishing papers by US$40 to US$50 a ton or between 5 per cent and 7 per cent. Coated paper markets have tightened in the past month and one major Finnish producer has warned it will raise prices. Analysts upgraded US coated paper makers such as Champion and Consolidated, besides Mead.

Robert Gibbens, Montreal

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1624.5-25.5	1654.5-55.0
Previous	1618-19	1647.5-48.5
High/low		1665/1639
AM Official	1616.5-17.0	1646-47
Kerb close		1664-65
Open int.	255,679	
Total daily turnover	101,443	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1520-30	1540-50
Previous	1525-30	1545-50
High/low		1550/1548
AM Official	1523-26	1545-46
Kerb close		1560-60
Open int.	5,977	
Total daily turnover	1,479	

■ LEAD ($ per tonne)

Close	659-60	665-66
Previous	658.5-9.5	666-7
High/low		665/656
AM Official	650-51	658-59
Kerb close		665-66
Open int.	38,725	
Total daily turnover	6,287	

■ NICKEL ($ per tonne)

Close	7910-20	8010-20
Previous	7825-45	7920-40
High/low		8055/7760
AM Official	7785-95	7885-90
Kerb close		8045-50
Open int.	50,595	
Total daily turnover	16,393	

■ TIN ($ per tonne)

Close	5785-95	5845-50
Previous	5875-85	5835-40
High/low		5910/5810
AM Official	5760-65	5815-20
Kerb close		5841-42
Open int.	15,467	
Total daily turnover	8,072	

■ ZINC, special high grade ($ per tonne)

Close	1193.5-94.5	1216-17
Previous	1192-93	1214.5-15
High/low		1223/1190
AM Official	1168.5-69.0	1189-90
Kerb close		1221-22
Open int.	87,218	
Total daily turnover	24,872	

■ COPPER, grade A ($ per tonne)

Close	2439.5-41.5	2372-73
Previous	2420.5-22.5	2356.5-57
High/low	2430/2421	2392/2335
AM Official	2421-22	2357-58
Kerb close		2390-92
Open int.	137,271	
Total daily turnover	81,938	

■ LME AM Official £/$ rate: 1.6367
LME Closing £/$ rate: 1.6339

Spot 1.6335 3 mths: 1.6307 6 mths: 1.6279 9 mths: 1.6248

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	114.90	+3.30	114.50	111.50	543	713
Mar	114.85	+3.40	114.75	111.40	11,260	14,830
Apr	113.55	+3.40	112.50	110.50	185	2,257
May	112.65	+3.40	112.70	109.05	4,645	20,161
Jun	110.85	+2.80	108.25	107.75	14	893
Jul	109.25	-	109.10	106.75	1,837	5,864
Total					18,989	58,755

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	353.70-354.20		
Opening	354.30-354.60		
Morning fix	353.85	215.782	516.55
Afternoon fix	354.75	216.113	518.845
Day's High	356.30-356.60		
Day's Low	352.70-353.00		
Previous close	353.80-354.30		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.82	6 months	3.92
2 months	3.82	12 months	3.93
3 months	3.81		

Silver Fix	p/troy oz.	US cts equiv.
Spot	319.45	522.90
3 months	323.75	529.10
6 months	328.15	535.30
1 year	337.20	548.00

Gold Coins	$ price	£ equiv.
Krugerrand	352-354	215-217
Maple Leaf	-	-
New Sovereign	82-85	50-52

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	356.0	-0.1	357.1	355.4	303	354
Mar	355.6	-0.1	-	-	-	23
Apr	358.0	-0.1	358.7	354.5	26,584	83,021
Jun	358.0	-0.1	360.5	356.8	3,181	28,871
Aug	360.3	-0.1	362.0	359.8	82	10,881
Oct	362.7	-	362.5	362.5	279	5,532
Total					31,503	184,458

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Apr	386.7	+4.9	388.0	381.0	4,530	18,061
Jul	388.7	+4.7	389.5	385.0	88	3,394
Oct	390.7	+4.7	390.5	388.5	21	1,993
Jan	393.0	-	394.5	388.0	2	1,115
Total					4,645	10,576

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Mar	146.35	+6.20	150.00	143.00	573	2,210
Jun	150.25	+8.00	150.25	145.00	1,256	7,815
Sep	151.25	+6.00	143.75	143.75	23	404
Dec	152.25	-	-	-	25	139
Total					1,882	10,576

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

Feb	519.7	-2.8	-	-	14	-
Mar	519.7	-3.0	534.0	515.0	18,796	25,557
May	524.8	-2.9	539.0	520.0	11,192	42,395
Jul	529.7	-2.9	542.5	525.0	1,215	10,143
Sep	534.6	-2.7	547.0	530.9	68	3,317
Dec	541.8	-	554.5	536.0	340	5,225
Total					32,230	93,586

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	21.00	-	21.40	20.74	50,258	90,810
May	20.70	-	21.07	20.00	17,829	46,610
Jun	20.47	-	20.82	20.40	8,183	40,487
Jul	20.28	-	20.58	20.20	2,864	20,094
Aug	20.13	-	20.43	20.05	2,188	16,788
Sep	20.01	-	20.28	20.00	2,823	14,644
Total					96,015	283,153

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	19.45	-	19.84	19.30	17,634	56,450
May	19.17	-	19.50	19.00	7,154	42,868
Jun	19.00	-	19.28	18.88	2,111	20,809
Jul	18.87	-	19.06	18.84	868	12,572
Aug	18.79	-	19.00	18.77	360	4,735
Sep	18.73	-	18.81	18.68	490	6,092
Total					31,316	182,810

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	56.62	-	57.45	55.70	18,826	21,932
Apr	55.50	-	56.10	54.55	12,866	31,109
May	54.85	-	55.35	53.95	3,233	10,781
Jun	54.55	-	55.10	53.90	1,526	9,447
Jul	54.80	-	55.30	54.30	882	9,391
Aug	55.35	-	56.80	54.90	1,036	5,609
Total					40,447	114,815

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	168.75	-	171.00	165.00	7,731	21,863
Apr	169.75	-	172.00	166.25	4,493	13,845
May	170.00	-	171.50	167.75	703	6,452
Jun	171.00	-	172.25	168.25	2,076	8,383
Jul	172.00	-	173.00	172.75	98	3,329
Aug	173.25	-	173.50	173.00	322	1,284
Total					17,000	65,286

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	1.885	-	1.890	1.835	13,461	31,657
May	1.895	-	1.920	1.885	4,202	16,785
Jun	1.930	-	1.945	1.920	1,877	10,714
Jul	1.950	+0.005	1.960	1.940	741	10,529
Aug	1.963	-0.005	1.980	1.950	941	8,539
Sep	1.980	-0.010	1.985	1.980	358	7,192
Total					30,371	157,726

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	62.23	-	63.60	61.70	9,943	18,320
Apr	63.45	-	64.75	62.80	12,746	34,510
May	63.25	-	64.25	62.75	3,389	17,684
Jun	62.80	-	63.55	62.10	2,706	10,861
Jul	61.45	-	62.25	61.10	659	5,120
Aug	60.10	-	60.75	60.30	174	4,061
Total					38,986	93,519

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	94.90	+0.70	95.25	94.75	75	286
May	98.00	+0.80	98.65	97.75	447	3,190
Jul	100.25	+1.05	100.50	99.90	87	684
Sep	92.50	-	-	-	-	33
Nov	94.50	-	95.25	94.50	99	1,720
Jan	96.50	-	96.45	96.45	20	268
Total					728	6,166

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Mar	370.75	-6.50	378.00	372.00	4,385	9,054
May	372.75	-4.25	382.00	372.50	6,300	22,444
Jul	359.25	-3.00	365.00	358.75	12,118	33,247
Sep	360.00	-3.00	367.00	360.50	280	2,882
Dec	370.00	-2.25	373.00	368.00	708	3,041
Mar	370.00	-2.50	370.00	370.00	4	48
Total					23,759	70,987

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Mar	292.75	-0.50	294.75	291.25	30,524	56,004
May	292.00	-1.75	294.50	291.25	43,518	141,241
Jul	290.00	-3.00	293.50	290.25	18,443	98,443
Sep	280.50	-4.25	283.00	278.50	1,649	12,902
Dec	277.75	-4.50	282.25	278.50	9,290	60,784
Mar	283.25	-	287.50	282.50	486	5,032
Total					104,044	278,280

■ BARLEY LIFFE (£ per tonne)

Mar	91.85	+0.25	91.50	91.50	17	150
May	92.95	+0.25	93.50	93.00	12	137
Sep	91.00	-	-	-	-	28
Nov	93.00	-	93.50	93.00	15	336
Jan	95.00	-	94.75	94.75	-	27
Total					33	678

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Mar	783.75	-7.25	791.00	783.50	24,631	27,435
May	785.50	-8.50	793.50	785.50	51,000	71,167
Jul	785.50	-8.00	793.50	786.00	14,871	47,986
Aug	779.75	-6.25	785.50	778.50	803	7,452
Sep	737.00	-5.00	744.00	740.00	348	2,895
Nov	702.25	-	708.75	704.50	4,266	24,292
Total					96,199	182,657

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Mar	23.89	-0.14	24.01	23.87	11,897	16,221
May	24.33	-0.12	24.54	24.28	14,247	37,299
Jul	24.75	-0.10	24.85	24.65	4,300	19,676
Aug	24.85	-0.13	25.00	24.83	436	3,969
Sep	24.94	-0.18	25.09	24.95	67	2,744
Oct	25.08	-0.12	25.13	25.05	71	1,070
Total					31,553	88,024

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Mar	256.2	-5.1	260.5	256.9	15,610	23,013
May	251.4	-4.2	256.0	252.1	15,888	39,079
Jul	248.2	-4.2	251.9	249.3	6,843	26,815
Aug	244.4	-4.1	247.8	245.1	1,599	6,146
Sep	238.3	-4.2	239.2	237.3	220	3,312
Oct	221.5	-3.5	224.5	223.5	46	1,609
Total					40,838	106,730

■ POTATOES LIFFE (£/tonne)

Mar	58.5	-	-	-	-	-
Apr	64.9	+1.8	65.0	64.5	29	1,032
May	72.5	+1.0	71.0	71.0	2	189
Jun	78.5	-	-	-	-	-
Nov	65.0	-	-	-	-	2
Apr	112.0	-1.0	112.0	112.0	15	682
Total					33	1,885

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

Feb	1460	-	1460	1460	2	293
Mar	1535	-5	1531	1525	50	669
Apr	1550	-	1550	1540	46	1,255
Jul	1275	-	1280	1280	11	647
Oct	1420	-	-	-	-	213
Jan	1430	-	-	-	-	49
Total					101	3,126

	Close	Prev
BFI	1458	1469

FUTURES DATA
All futures data supplied by CMS.

SOFTS

■ COCOA LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	885	+16	865	848	3,444	10,278
May	886	+12	886	873	4,030	30,037
Jul	904	+10	904	893	703	13,625
Sep	922	+8	922	916	377	14,495
Dec	939	+8	939	931	435	18,616
Mar	958	+7	959	951	387	20,980
Total					8,545	128,898

■ COCOA CSCE (10 tonnes; $/tonnes)

Mar	1262	+24	1262	1247	85	796
May	1302	+23	1304	1286	7,053	34,892
Jul	1331	+21	1332	1317	598	18,910
Sep	1360	+20	1360	1347	154	10,743
Dec	1391	+18	1388	1380	85	8,049
Mar	1422	-	1420	1410	51	13,488
Total					8,004	88,381

■ COCOA (ICCO) (SDR's/tonne)

Feb 25	Price	Prev. day
Daily	996.07	986.72

■ COFFEE LIFFE ($/tonne)

Mar	1545	+39	1585	1509	2,369	6,518
May	1580	+35	1620	1532	4,277	21,729
Jul	1602	+37	1640	1555	1,704	9,696
Sep	1597	+34	1620	1555	744	3,882
Nov	1580	+29	1610	1555	382	1,632
Jan	1585	+24	1587	1562	112	237
Total					9,528	43,704

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Mar	185.45	+11.30	189.00	177.00	1,209	3,508
May	172.85	+9.60	177.00	165.60	7,813	23,652
Jul	164.25	+7.90	169.00	158.40	930	7,219
Sep	155.95	+6.70	155.25	150.50	311	3,775
Dec	145.35	+6.30	145.05	141.50	102	2,779
Mar	136.85	-	136.05	134.50	29	590
Total					10,202	41,672

■ COFFEE (ICO) (US cents/pound)

Feb 25		Prev. day
Comp. daily	123.50	122.37
15 day average	121.08	120.29

■ WHITE SUGAR LIFFE ($/tonne)

May	306.1	-	306.5	304.0	942	13,349
Aug	306.2	+0.5	306.3	304.0	535	3,535
Oct	302.2	+0.6	302.0	300.0	104	2,826
Dec	301.0	-0.6	301.2	300.0	79	713
Mar	301.6	-0.3	301.0	301.0	18	554
May	300.1	-1.6	301.7	301.7	-	159
Total					1,678	21,136

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Mar	10.90	+0.10	10.96	10.67	8,625	11,211
May	10.89	+0.06	10.91	10.75	12,086	67,667
Jul	10.67	+0.04	10.68	10.57	3,282	29,424
Oct	10.65	+0.04	10.65	10.55	775	22,613
Mar	10.63	+0.03	10.65	10.55	483	9,320
May	10.64	+0.03	10.68	10.60	51	1,728
Total					25,282	142,884

■ COTTON NYCE (50,000lbs; cents/lbs)

Mar	74.48	+0.09	74.55	73.80	976	601
May	76.31	+0.35	76.45	75.75	11,444	34,535
Jul	77.42	+0.30	77.50	76.85	2,836	12,077
Oct	77.50	+0.25	77.35	77.25	29	1,379
Dec	77.53	+0.25	77.80	77.10	2,279	13,766
Mar	78.10	+0.47	78.35	78.00	83	1,082
Total					17,663	63,827

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Mar	78.80	-1.00	79.80	78.75	1,521	5,867
May	81.45	-0.40	82.10	81.25	1,571	11,905
Jul	84.50	-0.25	85.00	84.15	403	4,534
Sep	87.20	-0.35	87.40	87.00	82	3,338
Nov	89.20	-0.10	90.00	89.10	13	666
Jan	91.15	-0.15	91.20	91.00	24	343
Total					3,624	26,868

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	68.100	-	68.250	67.800	14	31
Apr	70.225	+0.275	70.400	69.800	11,218	44,171
Jun	65.175	+0.225	65.250	64.750	4,218	19,318
Aug	64.275	-0.025	64.400	64.000	3,109	10,901
Oct	68.100	-0.075	68.375	67.875	1,885	12,894
Dec	70.175	-0.150	70.800	70.125	664	4,869
Total					21,864	103,856

■ LEAN HOGS CME (40,000lbs; cents/lbs)

Apr	75.025	+0.550	75.300	74.150	4,407	15,713
Jun	80.025	+0.125	80.450	79.575	2,810	10,270
Jul	77.875	-0.225	78.500	77.750	866	2,455
Aug	74.550	-0.100	74.800	74.175	562	2,299
Oct	67.175	-0.150	67.450	67.000	248	1,457
Dec	65.250	-0.050	65.350	65.000	171	807
Total					8,142	33,477

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	77.000	-	79.400	76.300	199	102
Mar	78.150	+2.123	80.000	76.850	1,201	1,885
May	80.850	+2.300	81.350	78.075	1,425	3,747
Jul	79.875	+2.425	80.250	77.000	254	877
Aug	77.150	+2.200	77.850	75.400	50	521
Total					3,129	7,136

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Mar	Jun	Mar	Jun
1600	51	102	3	29
1650	17	72	19	49
1700	3	49	55	74
■ COPPER (Grade A) LME	Mar	Jun	Mar	Jun
2300	167	136	3	66
2400	73	85	8	114
2500	15	50	48	177
■ COFFEE LIFFE	May	Jul	May	Jul
1500	136	205	56	103
1550	107	177	77	125
1600	83	153	103	151
■ COCOA LIFFE	May	Jul	May	Jul
800	88	106	2	2
825	68	84	5	5
850	47	64	11	10
■ BRENT CRUDE IPE	Apr	May	Apr	May
1950	10	-	38	-
2000	-	-	-	-
2050	-	-	153	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$17.65-7.75w	-0.150
Brent Blend (dated)	$19.75-9.84	-0.360
Brent Blend (Apr)	$19.39-9.41	-0.240
W.T.I.	$20.82-0.85w	-0.420

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$210-212	+2
Gas Oil	$166-167	-2.5
Heavy Fuel Oil	$90-92	
Naphtha	$206-208	+2
Jet fuel	$190-192	-3.5
Diesel	$180-182	-2.5

■ NATURAL GAS (Pence/therm)

Bacton (Mar)	9.90	+0.25

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

Gold (per troy oz)♣	$353.85	-0.10
Silver (per troy oz)♣	5201.00c	-1.00
Platinum (per troy oz.)	$383.50	+10.75
Palladium (per troy oz.)	$150.00	+10.00
Copper	118.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.36r	-0.13
Tin (New York)	271.50	-3.00
Cattle (live weight)	101.24p	-0.56*
Sheep (live weight)	144.15p	+2.31*
Pigs (live weight)†	83.02p	+3.98*
Lon. day sugar (raw)	$263.30	-3.30
Lon. day sugar (wte)	$306.20	-2.70
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.0	
Wheat (US Dark North)	Unq	
Rubber (Mar)♥	79.50p	
Rubber (Apr)♥	79.50p	
Rubber (KL RSS No1)	301.0x	-0.5
Coconut Oil (Phil)§	775.0y	-5.0
Palm Oil (Malay.)§	587.5x	
Copra (Phil)§	$492.5y	
Soyabeans (US)	216.0x	+1.0
Cotton Outlook'A' index	81.05	+0.60
Wooltops (64s Super)	418p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. x Mar w Apr y Feb/Mar ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 1,261 head of pigs sold.

Nuts and Seeds Prices from Kenkko US$ a tonne. **Iranian pistachios** 28/30 raw (in shell) naturally opened (round); RPPC new crop prices up at 4,050 CFR; long type sold out. **Walnuts** US inshell: 2,700 FCA Spain; East European LHP mix: 4,500 CPT Europe. **Turkish hazelnuts** standard No 1: price idea 4,700 CFR. **Turkish and Iranian sultanas:** 1,100 CFR MEP. **Indian cashews** raw W-320: 5,600 CFR MEP firm; spot goods at 5,700 FCA Rotterdam; new crop shipment from April W320 at 5,550. **US pecans** fancy junior mammoth halves: firm 6,300 FOB, few goods available. **US almonds** 23/25 SSR: 1997 crop 4,500 CFR MEP falling slightly. **Coconut:** CFR 1,400 for top Philippine goods, down; spot at 1,500. **Pine kernels:** Pakistan stable at 10,400 crop is finishing.

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Feb 26	Feb 25	month ago	year ago
n/a	1976.9	n/a	2n/a

■ CRB Futures (Base: 1967 = 100)

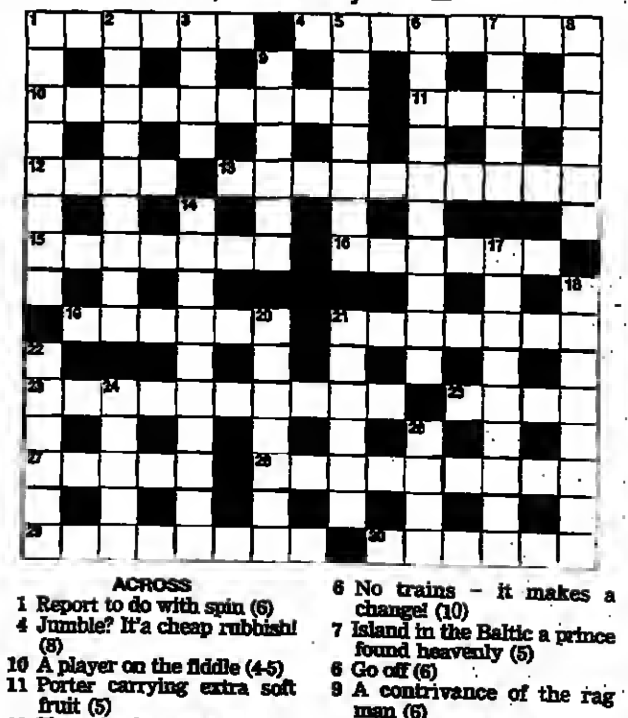
Feb 25	Feb 24	month ago	year ago
241.62	240.06		

■ GSCI Spot (Base: 1970 = 100)

Feb 25	Feb 24	month ago	year ago
191.08	188.69	209.40	195.66

CROSSWORD

No.9,311 Set by VIXEN



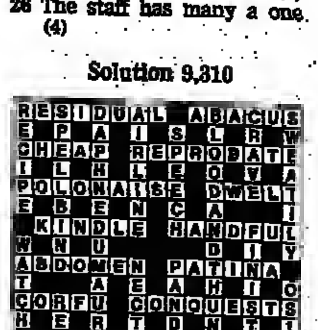
ACROSS

1 Report to do with spin (6)
4 Jumble? It's cheap rubbish! (8)
10 A player on the fiddle (4-5)
11 Porter carrying extra soft fruit (5)
12 The point in trusting is to enjoy it (4)
13 Hard times can mean low spirits (10)
15 Late acknowledgement (7)
16 Appear ambivalent, as the French said, to a woman (6)
19 Take some action about turnover if challenged (6)
21 Athletic competition is close without crackpot entry (4,3)
23 Down-to-earth serving men (10)
25 She'll arrange articles back-to-back (4)
27 Care must be exercised with a palm (5)
28 Ordering trimming – fabric lining essential (9)
29 A drinking place for the sly or cunning (8)
30 Certain soldiers give up and retreat (6)

DOWN

1 An individual who's going to the dogs? (8)
2 Revolutionary device to gain access (8)
3 The Right remains overhasty (4)
5 Hoped for some publicity about a section of the church (7)
6 No trains – it makes a change! (10)
7 Island in the Baltic a prince found heavenly (5)
8 Go off (6)
9 A contrivance of the rag man (6)
14 Judge 12 should be admitted by scholar and class (10)
17 No longer thoughtful indeed quite unreasonable (9)
18 Investing money in rum due to squeeze (8)
20 Medico getting work through a dispenser (7)
21 Private papers in good order (6)
22 Climbing mountains with quiet ostentation (6)
24 Taking river fish anglers require such equipment (5)
26 The staff has many a one. (4)

Solution 9,310



FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Jupiter Tyndall (Bermuda) Ltd

Jupiter Tyndall World Sectoral Fund Ltd

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

Rothschild Asset Management (CI) Ltd

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

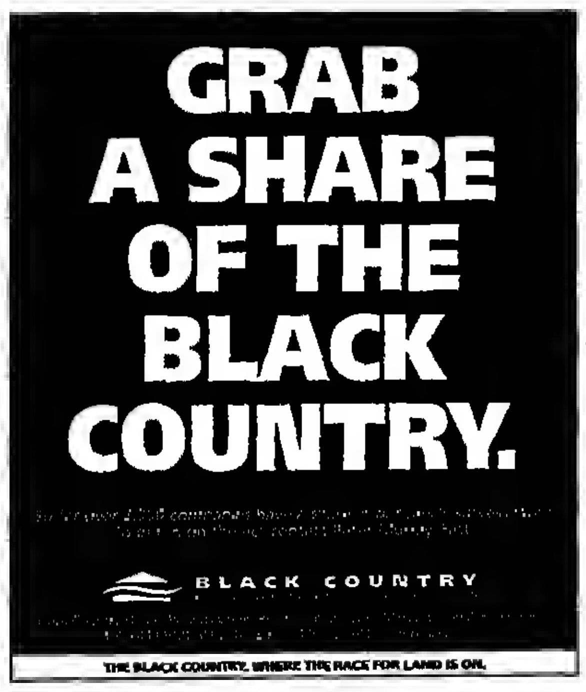
IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)



Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

LUXEMBOURG (SIB RECOGNISED)

	Init Chrge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
ABN AMRO Funds (z)						
4 Rue Jean Monnet, L-2180 Luxembourg 352 4349 [illegible]						
Latin America Equity			$51.65	61.98	—	-
North America Equity			$89.97	90.42	—	-
Asian Tigers Equity			$97.32	97.99	—	-
Europe Equity			$82.23	82.64	—	-
Germany Equity			[illegible]	161.05	—	-
Japan Equity			$44.41	44.85	—	-
Europe Bond			$83.18	63.35	—	-
... Bond			$59.97	60.05	—	-
Global Bond			$92.32	92.40	—	-
Germany Bond B			[illegible]	112.34	—	-
Spain Bond			[illegible]	10499	—	-
Eastern Europe Equity F			[illegible]	258.30	—	-
China Equity F			$67.61	68.40	—	-
Switzerland Equity			[illegible]	145.42	—	-
Abtrust Fund Mngrs Luxembourg SA (u)						
4 Boulevard Royal L 3449 Luxembourg 00 352 227001						
Abtrust Atlas Fund						
Global Cap Portfolio			$4.029		+0.040	-
United States Portfolio			$9.040		+0.015	-
Cont'l Europe Portfolio			DM7.694		+0.058	-
Japan Portfolio			[illegible]		+0.002	-
Pacific Portfolio			$8.736		+0.016	-
Gold Portfolio			$6.626		+0.003	-
UK Growth of Income			£2.281		+0.009	5.01
Dollar Portfolio			$1.893		—	7.03
Sterling Portfolio			£1.088		—	6.30
Astra Master Fund (u) (x)						
21 avenue de la Liberte, L-1931, Lux 00 352 2954 941						
Australasian NAV			A$17.55		+0.07	-
Austrian Nat NAV			Sch167.47		+0.19	-
Belgo/Lux NAV			BFr906.25		+13.72	-

	Init Chrge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
Fidelity Funds - Contd.						
Bond Funds						
European			Ecu11.61		-0.01	5.93
International			£1.031		-0.001	5.40
US Dollar			$8.699		-0.003	5.86
Sterling			£0.2575		-0.0002	1.03
Balanced						
European Balanced			DM14.65		+0.09	1.00
Prices as at February 26						
Fleming Group (u)						
6 Route De Treves L-2633 Senningerberg Luxembourg						
00 352 34101 or 0800 980 204						
Internet: http://www.flemings.lu/						
Fleming Flagship Fund (daily dealing)						
FFF Americas			$58.32	61.70	+0.21	-
FFF Amer Ftd Ing F			$64.04	67.75	-0.09	-
FFF Asian Smaller Cos F			$10.88	11.51	+0.03	-
FFF China			$16.14	17.08	+0.32	-
FFF Continental Europe F			[illegible]	80.10	+0.22	-
FFF DM Balanced F $			DM11.71	12.38	-0.05	-
FFF DM Bond $			DM11.[illegible]	11.70	+0.01	-
FFF Eastern European F			[illegible]	33.42	-0.11	-
FFF Eastern Oppс			$23.66	25.03	-0.08	-
FFF Emerging Markets F			$10.58	11.18	+0.06	-
FFF European			[illegible]	45.82	+0.14	-
FFF European Smlr Cos F			[illegible]	27.00	+0.12	-
FFF Global Conv F			$15.17	16.23	-0.10	-
FFF India H			$8.65	9.14	-0.01	-
FFF Intl Bond F			$13.78	14.55	+0.04	-
FFF Intl Equity F			[illegible]	86.09	-0.15	-
FFF Japanese			$14.58	15.40	+0.08	-
FFF Japanese Smaller Cos F			$5.91	6.25	+0.08	-
FFF Latin American			$13.89	14.69	+0.20	-
FFF Pacific			$21.42	22.66	+0.09	-
FFF Sterling Bond			£1.084	1.147	—	-
FFF UK Enterprise			£5.61	5.93	—	-
FFF US Discovery			$44.58	47.32	+0.00	-

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

OFFSHORE INSURANCES

[illegible]

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Old Mutual International (Guernsey) Ltd

Sun Alliance International Life

Sun Life International (IOM) Ltd

OTHER OFFSHORE FUNDS

ATSP Management Ltd

AXA Asset Management

Apex Bank & Trust Company

Acciones y Valores de Mexico SA de CV

Chameleon Funds Limited

Champion Global Fund Management

Chesapeake Capital Corporation

The China Fund

The China Invest & Development

Citizens Investment Trust Mgt

Coast Asset Management Corp

Colombus Asset Management

Connor Asset Management Ltd

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

INSURANCE - Cont.

INVESTMENT TRUSTS

Approved by the Inland Revenue

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

Approved by the Inland Revenue

ENGINEERING - Cont.

GAS DISTRIBUTION

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
BG	♣W	173½	-5	189½	134	7,877	10.4	31.4
For Centrica see under London Recent Issues page 47								
International Energy	♣†	81½	—	107	84½	51.8	4.8	11.9

HEALTH CARE

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

HOUSEHOLD GOODS

INSURANCE

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

MEDIA - Cont.

PHARMACEUTICALS

RETAILERS, GENERAL - Cont.

TEXTILES & APPAREL - Cont.

AIM - Cont.

PROPERTY

TOBACCO

TRANSPORT

OTHER INVESTMENT TRUSTS

AMERICANS

SUPPORT SERVICES

OIL EXPLORATION & PRODUCTION

INVESTMENT COMPANIES

WATER

CANADIANS

AIM

OIL, INTEGRATED

OTHER FINANCIAL

PROPERTY - Cont.

SUPPORT SERVICES - Cont.

LEISURE & HOTELS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind	[illegible]	2241/2	[illegible]	[illegible]	2201/4	1,985	3.1	Φ
Barlow	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1,358	2.2	13.8
Gold Flds Prop R	†	1451/4	—	1711/2	120	14.9	6.2	10.8
Nth Props		85	—	95	60	2.61	13.6	-
SASOL	♥	845	—	710	523	3,777	1.7	-
SA Brews		[illegible]	[illegible]	[illegible]	2131/4	8,818	1.8	Φ
Standard Bank		[illegible]	[illegible]	[illegible]	921	3,034	1.4	[illegible]
Tiger Oats		780	[illegible]	1150	770	1,188	2.3	15.5
Tongaat-Hulett		7531/2	+4	1125	6761/4	713.3	2.4	Φ

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on ... yield, p/e ratio based on latest annual earnings. e Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. z Dividend yield includes a special payment

F Yield based on ... yield, p/e based on latest annual earnings. H Yield based on prospectus or other official estimates for 1995-96. $ Dividend is paid in whole or part as a

FD Foreign income ...

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

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LONDON STOCK EXCHANGE

Greenspan gives the market another fright

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

Just as many old bands had predicted, Mr Alan Greenspan, the chairman of the US Federal Reserve, threw a spanner into the market's works yesterday, warning of emerging inflationary pressures in the US and triggering a big slide on Wall Street at the start of trading yesterday.

An initial 100-points-plus retreat by the Dow Jones Average saw an earlier 10-point rise in the FTSE 100 index wiped out and replaced by a hefty fall; the other FTSE indices moved similarly, with initial moves to all-time intra-day highs by both the FTSE 250 and SmallCap indices sharply reduced.

But with Wall Street clawing back half its earlier slide as London closed, UK stocks ended well above the session's lowest levels.

Footsie finished the day 15.4 off at 4,329.3 while the FTSE 250 slipped 4.3 to 4,660.7. The FTSE SmallCap managed to hold on to a 1.0 gain at an all-time closing record of 2,353.3, but was well below the session's best, 2,356.5, recorded just after Wall Street opened.

The FTSE 250 had also recorded a new intra-day high during the session, reaching a peak of 4,675.2, also around the time New York started trading.

Mr Greenspan's views on US inflationary prospects took their toll of the Treasury bond market, where the long bond fell around 1¼ points before stabilising.

There was no support for UK equities from gilts, which moved sharply lower in sympathy with their US counterparts. Earlier, gilts had dipped a couple of ticks following the outcome of the latest auction, £2.5bn worth of 8 per cent stock maturing in 2021.

A senior dealer at one big European securities house said London had felt much worse than the 27-point fall it recorded at its lowest level. "I wouldn't be surprised if we had to face a sharp sell-off in the next couple of days," he said.

Another leading sales trader said "the US interest rate scenario is the real worry to world markets. If the Fed chooses to nudge US rates higher, Wall Street will be vulnerable and global markets will reflect that vulnerability."

He also pointed out that London had to contend with the Wirral South by-election which could unsettle UK stocks.

The US events spoilt what had been another reasonably resilient performance by London stocks.

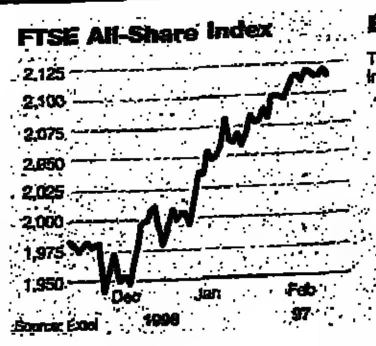
A long list of corporate results was generally well received, especially figures from Standard Chartered, whose shares were among Footsie's best performers. Prudential also pleased analysts, reporting a 10 per cent increase in the dividend total.

Commercial Union, along with the rest of tha composite insurances, were a disappointment, after confirmation of a rumoured fall in its net asset value.

BP was the best Footsie performer after vague rumblings that a big investment bank was seeking to pre-place the Kuwait Investment Office's near 10 per cent stake.

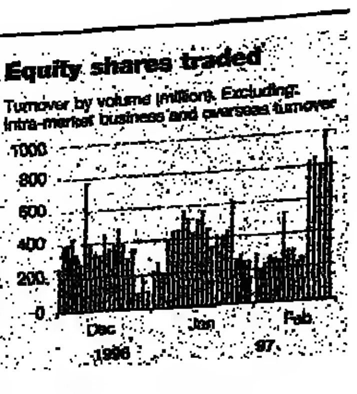
Turnover at 6pm was 852.7m shares. Customer business on Monday was valued at £2.4bn.

FTSE All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FTSE 100	4329.3	−15.4
FTSE 250	4660.7	−4.3
FTSE 350	2142.8	−6.4
FTSE All-Share	2115.81	−5.81
FTSE All-Share yield	3.54	3.52

FT 30	2863.7	−17.4
FTSE Non-Fins p/e	18.37	18.46
FTSE 100 Fut Mar	4320.0	−10.0
10 yr Gilt yield	7.24	7.18
Long gilt/equity yld ratio	2.10	2.10

Best performing sectors

1 Oil: Integrated .... +1.1
2 Other Financial .... +1.0
3 Household Goods .... +1.0
4 Mineral Extraction .... +0.8
5 Transport .... +0.3

Worst performing sectors

1 Alcoholic Beverages .... −2.4
2 Gas Distribution .... −2.1
3 Electronic & Elect .... −1.6
4 Insurance .... −1.3
5 Media .... −1

Barclays buyback shunned

By Joel Kibazo and Lisa Wood

The market refused to be at the beck and call of international banking group Barclays.

The UK clearer, whose recent results disappointed the market and prompted a sharp retreat in the stock, announced plans at the start of the session to purchase for cancellation up to 26m shares.

The order was to be filled by means of a tender offer with BZW, Barclays' investment banking arm, and Cazenove acting as principals.

However, Barclays found few takers for its offer, only managing to buy just over 9m, most at 1137½p a share. The most Barclays could have paid was 1173p, a figure representing a 5 per cent premium above the average share price of the previous 5 days.

Closing turnover of 35m made it the busiest stock in the market yesterday as the shares improved 5 to 1127p.

The company suggested it was encouraged by the lack of willing sellers of its stock but reiterated its commitment to buy more shares at a later date.

However, market specialists indicated the bank is unlikely to be any more successful in future attempts in the short term.

While some cited the low price on offer for yesterday's repurchase plan, others suggested funds were unwilling to relinquish their banking stocks ahead of the flotation of several building societies.

Grand Metropolitan fell 16½ to 460½p on reports in the US that McDonald's, the burger chain, was launching a big discounting programme. One of McDonald's main rivals is GrandMet's Burger King outlets.

One analyst said he estimated that Burger King accounted for more than 15 per cent of GrandMet's operating profit and a price war could be detrimental to GrandMet which operates the majority of its burger outlets as franchises which pay a royalty on sales.

The reports prompted active business in GrandMet, with 11m sheres traded. However, Grant Met said it "had no plans to change its prices."

Unilever ahead

Unilever continued to rise, hardening 10½ to 1633p, with the UK arm of the Anglo-Dutch group driven by the weight of US buying for the Dutch arm. Many US institutions are very bullish about the prospects for Unilever, which has put four of its speciality chemicals businesses on the market.

Some critics in the UK believe the price has parted substantially from fundamentals and said there were a number of sellers waiting in the wings for when the stock topped out.

Reckitt & Colman hardened 11 to 825p, with speculation that it could be a takeover target for Unilever.

One analyst said this was unlikely, given that Reckitt's businesses replicated Unilever's exposure to a number of difficult markets and did little to help it in emerging markets.

EMI Group fell 26½ to 1171p as the market digested its third-quarter results which promised an improved performance in the fourth period.

A better than anticipated dividend as Standard Chartered unveiled figures in line with market expectations, helped the shares improve 13¾ to 783½p. Volume was 9m. Dealers suggested concerns about increasing costs prevented a further advance in the stock.

National Westminster, which reported disappointing figures on Tuesday, continued to be a busy trade. Turnover was 11m, as the shares eased another 2½ to 774p.

The market chose to take profits in British Aerospace, after the group reported figures just in line with market forecasts. The shares fell 19½ to 1253p.

Panmure Gordon is among brokers pushing the profit-taking advice. It said: "Final results were solid, with cash management being particularly strong. However, the key to outperformance from these levels will be the consolidation of European Aerospace and defence industries. However, with potential European partners currently concentrating on putting their own houses in order, deals are likely to be slow in coming. 1997 is thus likely to be a year of frustration, hence the recommendation to take profits."

Electrical equipment group Whessoe jumped 27 to 184p after Norwegian and Swiss groups surprised the market by launching a combined 175p a share offer for the company. The new bid topped the offer by engineering group Siebe. Shares in Siebe closed 10½ off at 965p.

There was vague bid talk about English China Clays which rose 7 to 209½p. JLI Group, the food producer, rose 14 to 70p after disclosing it had received preliminary approaches which may or may not lead to an offer being made for the company.

MFI Furniture was the best performer in the FTSE 250, with SBC Warburg Securities moving the stock from an "add" to a "buy". The broker is understood to believe that MFI could be a big beneficiary of consumer windfalls in the next few months.

In addition, its kitchens business should benefit from Sainsbury's Homebase reducing the amount of space devoted to kitchens in its recently acquired Texas stores. MFI rose 8 to 200p.

Kingfisher hardened 9 to 673½p on better news about consumer spending in France. D'Arty, its French retailing business, claims 13 per cent of the French electrical market.

Pace Micro Technology, the set-box manufacturer and one of last year's hottest issues, was tha worst performer in the FTSE 250, plunging 71 to 86p.

The company issued its second profits warning in three weeks and announced that, due to irreconcilable differences of management style, Mr Barry Rubery had ceased to be a director and joint chief executive.

Pace said the second half would not be any better than the first because of continued uncertainties over broadcaster launch timetables. Trading volume was 19m, the second heaviest in the market.

Prudential's preliminary figures were given a good welcome by the market, where the shares were among those jousting for the top position in the FTSE 100 performance league for much of the session.

The 10 per cent increase in the dividend and an encouraging trading statement all helped to bolster confidence in the stock.

Cable & Wireless eventually succumbed to the overall market malaise, closing a net 1¼ off at 508½p.

FT 30 INDEX

	Feb 26	Feb 25	Feb 24	Feb 21	Feb 20	Yr ago	*High	*Low
FT 30	2863.7	2881.1	2868.3	2864.5	2874.5	2756.2	2885.2	2668.8
Ord. div. yield	3.95	3.92	3.93	3.91	3.89	3.88	4.22	3.76
P/E ratio net	17.62	17.72	17.87	17.79	17.85	18.80	17.85	15.80
P/E ratio nil	17.40	17.50	17.45	17.57	17.63	18.58	17.63	15.71

FT 30 since compilation: high 2885.2 19/04/96, low 49.4 28/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2882.9	2879.3	2878.5	2881.7	2879.5	2881.8	2878.7	2877.5	2862.1	2884.7	2856.2

	Feb 26	Feb 25	Feb 24	Feb 21	Feb 20	Yr ago
SEAQ bargains	49,339	49,310	51,086	49,397	48,221	32,378
Equity turnover (£m)†	-	NA	2367.6	2550.2	2854.0	1824.2
Equity bargains†	-	NA	43,596	43,745	49,054	37,587
Shares traded (mil)†	-	NA	900.7	843.1	1001.3	640.0

†Excluding intra-market and overseas turnover.

	Feb 26	Feb 25	Feb 24	Feb 21	Feb 20	Yr ago	*High	*Low
FTSE AIM	1132.8	1135.0	1138.0	1137.9	1129.9	1024.4	1140.4	965.7

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	569	Total Highs	155	Total contracts	49,794
Total Falls	724	Total Lows	33	Calls	21,021
Same	1,204			Puts	28,773

Feb 26 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	4340.0	4320.0	-10.0	4344.0	4293.0	11911	57224
Jun	4359.0	4340.5	-10.0	4361.0	4326.5	115	7219
Sep	-	4366.0	-10.0	-	-	0	2187

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	-	4654.0	-4.0	-	-	0	6436

FTSE 100 INDEX OPTION (LIFFE) (*4328) £10 per full index point

	4150 C	4150 P	4200 C	4200 P	4250 C	4250 P	4300 C	4300 P	4350 C	4350 P	4400 C	4400 P	4450 C	4450 P	4500 C	4500 P
Mar	187	12	141	19	101	29	68	44½	39	68½	19	101½	7½	141	2	185½
Apr	208	31½	165½	44	128	56½	96½	75½	69½	98½	46	126	39	160½	17½	197
May	228½	49½	189	60	154½	75½	123	94	95	117	72	144	52	174	30½	209
Jun	257	68½	219½	80	186½	98	155	116½	125½	137	99½	162	74½	189	58½	222½
Dec†			325½	136			261	170½			209½	217½			168½	257½

Calls 4,841 Puts 8,773

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4125 C	4125 P	4175 C	4175 P	4225 C	4225 P	4275 C	4275 P	4325 C	4325 P	4375 C	4375 P	4425 C	4425 P	4475 C	4475 P
Mar	204	10	160	15	118½	24	81	36	50	55	27	81½	12	117	4½	159
Apr	225	31	186	41	148½	53	114	68	82	86	56½	110	36	139	21	174
May	248	43½	208	55	171½	68	138½	84	109½	104½	84	128½	63	156½	45	188½
Jun	276	64	239	76½	203½	90	169½	105	138½	123½	111½	145	98	171	66½	186½
Sept†	323½	90			255½	119			195	155½			142½	190½		

Calls 8,977 Puts 13,816 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996/97 High	1996/97 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§100	F.P.	3.31	108½	108½	†Anglo-Welsh	108½		L2.4	-	2.8	-
§125	F.P.	23.8	148½	138½	†Aortech	138½		-	-	-	-
§	F.P.	8.97	180	128½	†C&B Publishing	175		-	-	-	-
§	F.P.	3.00	3½	3	†Calidore Group	3		-	-	-	-
§	F.P.	1.80	1½	½	†Do Warrants	1		-	-	-	-
75½	F.P.	2,987	77½	55	Centrica	67¼	−¼	-	-	-	-
525	F.P.	2,824	570½	525	Energy Group	543½	−4	W21.0	2.5	4.8	10.5
	F.P.	-	492½	425	First Bus Wts ‖	[illegible]		-	-	-	-
§100	F.P.	15.6	296	171	†GB Railways	176½	−2	-	-	-	-
§125	F.P.	27.7	150	141½	†Infobank Intl	144		-	-	-	-
§	F.P.	5.53	4	3¾	†J Lewis Hungfd	[illegible]		-	-	-	−21.4
§	F.P.	68.8	292½	220	PSD (A/L)	284½		5.43	2.4	24.2	22
§100	F.P.	24.7	123½	97½	Prelude Tst	118½		-	-	-	-
§*	F.P.	1.73	51	22½	Do Warrants	41½		-	-	-	-
-	F.P.	12.8	61½	47½	TR Euro Gwth Wts	59½	−½	-	-	-	-
§100	F.P.	6.38	105	99	Tea Plantations	102		-	-	-	-
§	F.P.	0.38	30½	24½	Do Warrants	30½		-	-	-	-
§	F.P.	27.7	128½	109½	Technoplast	109½		-	-	-	-
§	F.P.	5.84	24½	24½	†Zicor Mining	20½	−2	-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Feb 26	% chg on day	Feb 24	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (33)	1885.19	−0.2	1888.09	2308.57	1.77	-	2405.53	1674.81
Regional Indices								
Africa (14)	2288.73	+0.8	2279.80	3111.56	3.94	33.96	3252.18	1918.45
Australasia (7)	2104.96	−0.9	2124.22	2631.60	2.42	22.60	2861.03	1941.72
North America (12)	1742.47	−0.4	1749.84	2034.54	0.72	84.84	2134.81	1550.58

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Feb 26	Day's chge%	Feb 25	Feb 24	Feb 21	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4329.3	−0.4	4344.7	4331.1	4336.8	3738.2	3.65	2.11	16.20	14.68	1617.37
FTSE 250	4660.7	−0.1	4665.0	4641.9	4631.0	4215.5	3.37	1.50	24.67	10.08	1914.61
FTSE 250 ex IT	4700.1	−0.1	4704.1	4679.4	4665.6	4233.1	3.46	1.53	23.67	8.96	1935.34
FTSE 350	2142.8	−0.3	2149.2	2141.6	2142.8	1868.3	3.60	1.99	17.47	6.71	1837.29
FTSE 350 Higher Yield	2055.0	−0.5	2065.8	2057.6	2050.8	1872.7	4.70	1.85	14.34	3.20	1484.31
FTSE 350 Lower Yield	2238.1	−0.1	2239.8	2233.1	2242.8	1868.6	2.50	2.25	22.27	10.49	1579.67
FTSE SmallCap	2353.35	....	2352.31	2349.42	2347.56	2050.25	2.90	1.66	26.01	5.74	1971.14
FTSE SmallCap ex IT	2362.03	+0.1	2360.18	2357.42	2353.57	2029.34	3.06	1.73	23.56	5.57	1992.73
FTSE All-Share	2115.81	−0.3	2121.62	2114.52	2115.45	1844.44	3.54	1.97	17.93	8.51	1841.59

FTSE Actuaries Industry Sectors

	Feb 26	Day's chge%	Feb 25	Feb 24	Feb 21	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	4004.71	+0.6	3972.24	3991.63	4014.35	3248.67	3.73	2.14	15.64	15.36	1762.07
12 Extractive Industries(5)	4027.19	+0.1	4023.18	3963.90	3969.20	4161.28	4.02	2.68	11.62	0.00	1200.30
15 Oil, Integrated(3)	4113.02	+1.1	4069.93	4097.15	4124.96	3277.87	3.96	2.08	15.19	20.17	1861.45
16 Oil Exploration & Prod(12)	3471.01	−0.3	3480.05	3509.39	3538.45	2257.98	1.49	1.71	49.13	0.00	2104.39
20 GEN INDUSTRIALS(273)	1989.96	−0.5	2000.49	1993.09	1989.95	2058.11	3.95	1.66	16.79	2.11	1114.58
21 Building & Construction(35)	1363.20	....	1363.57	1358.82	1356.12	1081.35	3.01	1.70	24.36	1.54	1165.38
22 Building Matls & Merchs(32)	1671.16	−0.2	1675.32	1664.37	1661.83	1903.24	4.26	2.54	11.58	0.44	967.26
23 Chemicals(26)	2341.74	−0.2	2345.71	2345.11	2347.43	2520.04	4.46	1.42	19.77	0.56	1137.03
24 Diversified Industrials(16)	1451.67	−0.8	1460.77	1451.72	1450.53	1768.85	4.93	1.61	15.71	4.02	841.94
25 Electronic & Elect Equip(39)	2234.82	−1.6	2271.34	2267.66	2271.85	2363.01	3.50	1.34	26.58	1.22	1187.53
26 Engineering(71)	2532.26	−0.6	2546.69	2539.43	2534.92	2318.51	3.26	2.40	15.99	3.67	1569.08
27 Engineering, Vehicles(13)	2840.72	−0.1	2844.08	2819.87	2788.32	2613.94	3.80	1.72	19.17	0.25	1500.53
28 Paper, Pckg & Printing(27)	2537.39	−0.2	2543.49	2533.81	2516.87	2714.33	4.10	1.78	17.02	0.00	1082.35
29 Textiles & Apparel(14)	1076.48	−0.4	1081.05	1079.74	1083.76	1509.77	6.53	1.28	14.98	2.25	682.53
30 CONSUMER GOODS(85)	4111.52	−0.4	4128.25	4096.88	4105.46	3606.24	3.53	1.90	16.63	12.53	1559.86
32 Alcoholic Beverages(7)	2749.48	−2.4	2815.67	2787.10	2750.71	2618.54	4.69	1.87	14.25	31.28	1029.90
33 Food Producers(25)	2862.89	−0.1	2864.67	2850.29	2853.26	2529.88	3.80	1.80	18.30	5.07	1327.47
34 Household Goods(17)	2933.37	+1.0	2905.64	2872.95	2860.65	2562.84	3.43	2.23	16.32	1.06	1184.36
36 Health Care(16)	2267.14	−0.6	2281.30	2288.29	2272.16	1938.61	2.60	1.89	25.41	4.18	1403.36
37 Pharmaceuticals(18)	6385.93	−0.1	6391.15	6359.18	6408.52	5097.46	2.68	1.84	25.32	13.45	2211.26
38 Tobacco(2)	4556.03	−0.2	4565.27	4461.33	4475.46	4870.76	5.69	2.13	10.33	0.00	1173.26
40 SERVICES(273)	2691.23	−0.4	2701.60	2688.90	2684.55	2325.31	2.82	1.67	22.49	7.68	1431.34
41 Distributors(30)	2753.92	−0.5	2768.22	2765.39	2771.28	2619.67	3.08	2.00	20.30	0.46	1035.52
42 Leisure & Hotels(31)	3525.51	−0.1	3529.23	3509.59	3504.61	2907.16	2.52	1.86	29.78	16.16	1928.53
43 Media(44)	4342.21	−1.0	4384.59	4384.21	4405.03	3840.97	2.20	2.12	26.87	11.48	1594.76
44 Retailers, Food(15)	1942.60	−0.3	1948.96	1949.96	1954.41	1877.50	4.07	2.31	13.29	4.28	1267.58
45 Retailers, General(53)	2123.55	−0.4	2132.18	2104.68	2088.39	1909.34	3.07	2.02	20.14	6.94	1244.65
47 Breweries, Pubs & Rest.(22)	3415.36	−0.2	3422.50	3427.02	3396.59	3003.32	3.16	2.10	18.71	18.89	1684.72
48 Support Services(56)	3031.41	−0.2	3036.50	3012.46	3011.63	2102.21	1.67	2.45	30.65	1.46	1957.96
49 Transport(22)	2866.78	+0.3	2858.60	2842.88	2834.87	2307.59	3.36	1.25	29.67	6.35	1228.17
60 UTILITIES(31)	2730.26	−0.7	2748.13	2745.61	2715.24	2459.51	4.90	1.59	16.06	5.34	1240.82
62 Electricity(10)	2870.41	−0.2	2875.05	2884.59	2839.65	2780.44	5.87	2.20	9.67	22.08	1585.45
64 Gas Distribution(2)	1623.41	−2.1	1658.74	1658.74	1662.10	1583.08	7.51	‡	‡	0.00	888.28
66 Telecommunications(8)	2305.42	−0.8	2322.96	2318.31	2287.43	2022.30	3.62	1.58	22.05	0.38	1088.63
68 Water(11)	2516.44	−0.4	2525.55	2513.11	2494.83	2080.78	5.92	2.31	9.14	0.00	1455.43
69 NON-FINANCIALS(682)	2162.97	−0.3	2169.74	2162.15	2159.57	1946.88	3.60	1.89	18.37	5.48	1660.35
70 FINANCIALS(106)	3921.81	−0.2	3928.05	3916.09	3939.86	2952.63	3.53	2.37	14.95	20.47	1740.14
71 Banks, Retail(8)	5743.15	−0.1	5748.87	5735.45	5797.54	4192.31	3.36	2.67	13.94	44.80	1837.39
73 Insurance(18)	1699.73	−1.3	1722.66	1726.33	1736.83	1422.14	4.97	2.15	11.71	4.50	1320.59
74 Life Assurance(7)	4575.76	−0.2	4583.31	4563.72	4533.80	3565.68	3.52	2.13	16.68	0.00	1845.45
77 Other Financial(29)	3247.92	+1.0	3215.77	3193.39	3184.43	2526.28	3.15	2.05	18.35	1.32	1899.42
79 Property(44)	1900.77	−0.2	1904.12	1887.57	1881.43	1451.14	3.36	1.33	26.05	2.57	1203.05
80 INVESTMENT TRUSTS(127)	3354.86	−0.1	3358.01	3351.91	3384.38	3134.57	2.15	1.12	52.10	8.25	1191.25
89 FTSE All-Share(915)	2115.81	−0.3	2121.62	2114.52	2115.45	1844.44	3.54	1.97	17.93	8.51	1841.59
FTSE Fledgling	1337.44	−0.1	1338.47	1336.88	1334.12	1152.02	2.90	0.56	77.43	3.28	1426.59
FTSE Fledgling ex IT	1358.91	−0.1	1360.46	1358.96	1355.06	1152.41	3.17	0.49	80.00†	3.44	1451.87

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	4351.4	4345.3	4347.1	4354.0	4351.6	4355.1	4351.2	4351.5	4327.9	4355.1	4316.8
FTSE 250	4664.4	4665.1	4669.3	4671.5	4674.1	4674.8	4674.9	4674.3	4660.6	4675.2	4660.3
FTSE 350	2151.8	2148.4	2150.6	2153.4	2152.8	2154.2	2152.7	2152.8	2142.2	2154.2	2138.3

Time of FTSE 100 Day's high: 12:56 PM Day's low: 3:15 PM. FTSE 100 1996/97 High: 4357.4 (19/02/97) Low: 3632.3 (24/12/96).

FTSE 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1309.9	1309.4	1309.0	1308.5	1308.1	1308.1	1308.1	1308.1	1305.9	1305.9	1308.8	−2.7
Pharmaceutcls	6314.1	6280.8	6295.3	6299.5	6307.7	6313.4	6310.3	6309.2	6279.8	6292.1	6299.5	−7.4
Water	2517.8	2520.5	2519.4	2513.1	2509.3	2510.6	2509.8	2511.9	2508.1	2509.5	2518.9	−9.4
Banks, Retail	5842.1	5840.0	5840.9	5865.3	5858.0	5869.1	5867.4	5862.6	5818.0	5816.5	5822.3	−5.8

For further information on the FTSE Actuaries Share Indices please contact FTSE International on 0171 448 1810. The FTSE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FTSE International in conjunction with the Faculty of Actuaries and the Institute of Actuaries. "FT-SE" and "Footsie" are trade marks of the London Stock Exchange and The Financial Times and are used by FTSE International under licence. 1 Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative.

FTSE INTERNATIONAL

TRADING VOLUME

Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	548	515½	+1½
ASDA Group†	3,400	111½	−½
Abbey National†	1,800	763½	−6
Airtours	349	969½	+16
Albert Fisher	3,400	43½	
Allied Domecq†	5,400	441½	−8½
Anglian Water	281	655	−½
Argos†	189	695	−2½
Arjo Wiggins	398	166½	−1½
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates a FTSE 100 index constituent. [illegible]

INT

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Feb 26 / Sch)

BELGIUM/LUXEMBOURG (Feb 26 / Frs.)

CZECH REP (Feb 26 / Korona)

DENMARK (Feb 26 / Kr)

FINLAND (Feb 26 / Mkk)

FRANCE (Feb 26 / Frs.)

GERMANY (Feb 26 / Dm.)

GREECE (Feb 26 / Drachma)

ITALY (Feb 26 / Lira)

NETHERLANDS (Feb 26 / Fls.)

NORWAY (Feb 26 / Kroner)

POLAND (Feb 26 / Zloty)

PORTUGAL (Feb 26 / Escudo)

SPAIN (Feb 26 / Pts.)

SWEDEN (Feb 26 / Kronor)

SWITZERLAND (Feb 26 / Frs.)

TURKEY (Feb 26 / Tk Lira)

PACIFIC

JAPAN (Feb 26 / Yen)

AUSTRALIA (Feb 26 / Aus$)

HONG KONG (Feb 26 / H.K.$)

INDONESIA (Feb 26 / Rupiah)

MALAYSIA (Feb 26 / MYR)

NEW ZEALAND (Feb 26 / NZ $)

SINGAPORE (Feb 26 / S$)

SOUTH KOREA (Feb 26 / Won)

TAIWAN (Feb 26 / TW $)

THAILAND (Feb 26 / Baht)

AFRICA

SOUTH AFRICA (Feb 26 / Rand)

NORTH AMERICA

CANADA

TORONTO (Feb 26 / Can $)
4 pm close

MONTREAL (Feb 26 / Can $)
4 pm close

INDICES

	Feb 26	Feb 25	Feb 24	1996/97 High	1996/97 Low
Argentina					
General(29/12/77)	(u)	21455.77	21551.32	21551.30 24/2/97	15297.20 22/8/96
Australia					
All Ordinaries(1/1/80)	2483.1	2500.8	2482.6	2501.70 18/2/97	2086.10 17/7/96
All Mining(1/1/80)	976.1	988.9	987.1	1118.40 8/5/96	903.80 13/12/96
Austria					
Credit Aktien(30/12/84)	408.77	404.78	403.30	408.77 26/2/97	340.19 6/8/96
Traded Index(2/1/91)	1235.79	1223.45	1211.80	1235.79 26/2/97	975.27 2/1/96
Belgium					
BEL20(1/1/91)	2145.43	2138.30	2104.48	2145.43 26/2/97	1674.86 2/1/96
Brazil					
Bovespa(29/12/83)	(u)	91491.0	89553.0	91491.00 25/2/97	43801.88 2/1/96
Canada					
Metals Minls‡(1975)	(u)	5605.81	5639.15	5639.15 24/2/97	4097.47 16/1/96
Composite‡(1975)	(u)	6247.80	6242.50	6248.90 19/2/97	4730.70 15/1/96
Portfolio$$(4/1/83)	(u)	3144.14	3141.12	3144.14 25/2/97	2327.30 12/1/96
Chile					
IGPA Gen¶(31/12/80)	(u)	5443.52	5372.93	5804.33 8/1/96	4869.17 18/12/96
Denmark					
CopenhagenSE(3/1/83)	540.86	538.20	541.32	548.92 20/2/97	368.49 2/1/96
Finland					
HEX General(28/12/90)	2929.25	2903.04	2851.89	2929.25 26/2/97	1651.67 10/1/96
France					
SBF 250(31/12/90)	1752.8	1755.1	1732.4	1762.30 17/2/97	1250.16 2/1/96
CAC 40(31/12/87)	2602.17	2607.72	2567.85	2634.48 17/2/97	1897.85 11/1/96
Germany					
FAZ Aktien(31/12/58)	1116.27	1116.88	1101.56	1128.16 18/2/97	818.56 2/1/96
Commerzbank(1/12/53)	3237.9	3237.7	3193.1	3275.88 18/2/97	2370.16 2/1/96
DAX‡(30/12/87)	3237.87	3233.21	3184.21	3276.16 18/2/97	2284.86 2/1/96
Greece					
Athens SE(31/12/80)	1453.60	1407.65	1368.92	1453.60 26/2/97	872.89 7/8/96
Hong Kong					
Hang Seng(31/7/64)	13541.83	13520.26	13375.68	13868.26 20/1/97	10204.90 2/1/96
India					
BSE Sens.(1979)	3364.97	3356.83	3358.47	4069.26 18/6/96	2745.06 4/12/96
Indonesia					
Jakarta Comp.(10/8/82)	712.60	701.30	696.02	712.60 26/2/97	512.48 2/1/96
Ireland					
ISEQ Overall(4/1/88)	3035.41	3038.79	3014.85	3038.79 25/2/97	2234.81 2/1/96
Italy					
Banca Comm Ital(1972)	762.09	773.51	771.83	797.71 10/2/97	572.21 27/3/96
MIB General(2/1/97)	1144.0	1161.0	1158.0	1197.00 10/2/97	991.00 2/1/97
Japan					
Nikkei 225(16/5/49)	18890.92	19070.07	18895.99	22666.80 26/6/96	17303.70 10/1/97
Nikkei 300(1/10/82)	271.84	273.55	273.09	319.70 26/6/96	251.04 27/1/97
Topix(4/1/68)	1416.20	1425.37	1423.30	1722.13 26/6/96	1328.60 27/1/97
2nd Section(4/1/68)	1741.10	1741.36	1737.66	2251.48 3/7/96	1718.23 10/2/97
Malaysia					
KLSE Comp.(4/4/86)	1265.37	1271.57	1264.90	1271.57 25/2/97	993.18 2/1/96
Mexico					
IPC(Nov 1978)	(u)	3938.69	3889.77	3938.69 25/2/97	2736.36 8/3/96
Netherland					
CBS TtlRtnGen(End 83)	860.8	861.4	843.9	861.40 25/2/97	539.50 2/1/96
CBS All Shr(End 83)	505.3	505.6	495.3	505.80 25/2/97	328.70 2/1/96
New Zealand					
Cap. 40(1/7/86)	2290.14	2300.48	2308.37	2440.21 20/1/97	2025.14 7/6/96
Norway					
Oslo SE(Ind)(2/1/83)	1847.77	1884.46	1886.34	1941.49 20/2/97	1259.88 30/1/96
Philippines					
Manila Comp(2/1/85)	3349.82	3363.08	3338.67	3447.80 3/2/97	2578.97 2/1/96
Portugal					
BVL 30(4/1/93)	2582.92	2576.34	2571.92	2620.36 19/2/97	1602.81 2/1/96
Singapore					
SES All-S'pore(2/4/75)	561.36	559.50	561.56	610.37 5/2/96	503.78 21/10/96
South Africa					
JSE Gold(28/9/78)	1543.4¥	1536.5	1529.3	2830.48 29/5/96	1339.00 3/2/97
JSE Ind.(28/9/78)	8378.8¥	8425.5	8390.2	8739.30 25/1/96	7568.90 17/12/96
South Korea					
KoreaCompEx**(4/1/80)	679.71	682.81	676.59	986.84 7/5/96	611.05 7/1/97
Spain					
Madrid SE(30/12/85)	465.76	467.41	464.25	481.95 17/2/97	323.75 11/1/96
Sweden					
AffarsvarldnGen(1/2/37)	2699.9	2705.0	2676.6	2705.00 25/2/97	1706.80 22/1/96
Switzerland					
Swiss Bk Ind(31/12/58)	2176.61	2154.43	2144.33	2179.58 20/2/97	1516.19 17/1/96
SBC General(1/4/87)	1314.19	1506.40	1493.00	1514.19 26/2/97	1114.47 26/1/96
Taiwan					
WeightedPr.**(30/6/66)	7730.49	7887.36	7908.61	7908.61 24/2/97	4690.22 6/2/96
Thailand					
Bangkok SET(30/4/75)	739.82	739.75	742.08	1415.04 6/2/96	698.06 13/2/97
Turkey					
IMKB Nat 100(1986)	1623.0	1641.0	1628.0	1700.09 27/1/97	388.00 2/1/96
WORLD					
MS Capital Int(1/1/70)	848.8*	854.4	851.0	854.40 25/2/97	725.90 15/1/96
CROSS-BORDER					
Eurotrack 100(26/10/90)	2152.00	2150.66	2135.35	2172.87 18/2/97	1604.40 11/1/96
Euro Top-100(26/6/90)	1820.42	1822.79	1804.80	1828.43 17/2/97	1333.81 11/1/96
HSBC JC Drgn(31/12/86)	(u)	428.50	423.76	429.46 20/1/97	344.19 2/1/96
ING Brngs Emrg(7/1/92)	191.33	180.71	179.39	181.33 26/2/97	147.35 2/1/96

US INDICES

Dow Jones	Feb 25	Feb 24	Feb 21	1996/97 High	1996/97 Low	Since compilation High	Since compilation Low
Industrials	7038.21	7008.20	6931.62	7067.46 (18/2/97)	5032.94 (10/1/96)	7067.46 (18/2/97)	41.22 (8/7/32)
Home Bonds	103.53	103.45	103.48	106.09 (14/2/96)	100.99 (15/7/96)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2371.57	2376.19	2353.69	2376.19 (24/2/97)	1882.71 (18/1/96)	2376.19 (24/2/97)	13.23 (8/7/32)
Utilities	229.39	231.13	229.74	240.85 (22/1/97)	204.86 (30/7/96)	256.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 7099.79 (7049.76) Low 6935.06 (6868.50) (Theoretical●)
Day's high 7046.68 (7013.58) Low 6972.79 (6905.45) (Actual●)

Standard and Poors	Feb 25	Feb 24	Feb 21	1996/97 High	1996/97 Low	Since compilation High	Since compilation Low
Composite‡	812.19	810.28	801.77	816.29 (18/2/97)	598.48 (10/1/96)	816.29 (18/2/97)	4.40 (1/6/32)
Industrials¶	946.53	945.33	935.11	950.96 (18/2/97)	702.07 (15/1/96)	950.96 (18/2/97)	3.52 (30/6/32)
Financial	95.59	94.70	93.79	98.31 (18/2/97)	58.67 (10/1/96)	98.31 (18/2/97)	7.13 (4/9/74)
NYSE Comp.	425.52	424.48	421.01	427.07 (18/2/97)	321.41 (10/1/96)	427.07 (18/2/97)	4.64 (25/4/42)
Amex Comp.	599.59	598.07	597.29	617.81 (22/5/96)	524.20 (16/7/96)	617.81 (22/5/96)	524.20 (16/7/96)
NASDAQ Cmp	1347.69	1345.06	1334.32	1388.06 (22/1/97)	988.57 (15/1/96)	1388.06 (22/1/97)	54.87 (3/10/74)

■ RATIOS

	Feb 21	Feb 14	Feb 7	Year ago
Dow Jones Ind. Div. Yield	1.94	1.92	1.95	2.12
	Feb 19	Feb 12	Feb 5	Year ago
S & P Ind. Div. yield	1.72	1.73	1.78	1.88
S & P Ind. P/E ratio	22.84	24.83	24.09	19.90

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Centennial	13,515,700	14¾	+10¼
Mercury Fin	12,063,900	3½	+¾
Micron Tech	11,153,300	37⅞	+1
Wal-Mart	11,126,500	26¾	+2
Home Depot	8,787,100	55¾	+3¾
K-Mart	6,552,100	12	+¾
Hewlett-Pkd	5,889,300	59	+2½
Motorola	5,384,200	57⅜	-1¼
Stlg Commrc	4,224,900	29⅛	-1½
IBM	4,195,600	145¾	+2¼

■ TRADING ACTIVITY

● Volume (million)

	Feb 25	Feb 24	Feb 21
New York SE	531.172	482.665	459.936
Amex	21.427	17.559	20.678
NASDAQ	721.192	590.646	628.893
NYSE			
Issues Traded	3,382	3,351	3,343
Rises	1,428	1,487	1,320
Falls	1,140	1,037	1,169
Unchanged	794	827	853
New Highs	235	176	111
New Lows	22	22	21

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ CAC-40 (200 x index)							
Feb	2606.0	2603.0	-4.0	2623.0	2594.0	23,725	16,640
Mar	2610.0	2609.5	-4.0	2628.0	2590.0	11,931	28,059
■ DAX							
Mar	3245.0	3254.0	+8.0	3264.0	3222.0	23,358	109,047
Jun	3265.0	3269.0	-4.0	3279.0	3240.0	2,107	48,233
■ OMX							
Feb	2109.00	2092.00	-14.00	2118.00	2085.00	7,165	11,659
Mar	2111.75	2123.00	+11.00	2123.00	2090.00	4,126	15,236
■ SOFFEX							
Mar	4520.0	4527.0	+25.0	4571.0	4498.0	5,662	24,184
Apr	4530.0	4531.5	+28.0	4530.0	4530.0	12	1,687
■ S&P 500							
Mar	814.05	804.00	-10.15	814.25	799.15	69,083	181,930
Jun	821.75	812.00	-9.75	821.75	808.00	1,748	16,482
■ Nikkei 225							
Mar	19180.0	19030.0	-90.0	19250.0	18900.0	26,830	195,131
Jun	19150.0	18980.0	-110.0	19210.0	18880.0	14,219	92,497

Open interest figures for previous day.

* Sat Feb 22: Taiwan Weighted Price 7739.94; Korea Comp Ex 681.24. Base values of all indices are 100 except: Australia All Ord and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp/Metals & Minerals and DAX – 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; IMKB Nat 100 – 1; NYSE All Common – 50; Standard & Poor's – 10 and Amex Comp – 550. $$ Montreal. ‡ Toronto. (c) Closed. (u) Unavailable. 1 Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ● The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock, whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Wednesday, February 26, 1997

	Stocks Traded	Closing Prices	Change on day
Kyotaru	8.4m	57	+15
Nippon Steel Cp	5.7m	328	-5
Shiseido	5.4m	1410	-20
Toshiba Corp	5.2m	698	-17
Bk Tk-Mitsubishi	4.8m	2070	-20
Mitsubishi Hvy	4.7m	873	+8
Fuji Bank	4.5m	1530	-40
Sakura Bank	4.5m	810	-2
Mitsui Mn & Sml	4.4m	487	+26
Sumitomo Bank	3.8m	1590	-40

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. ¶ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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4 pm close February 26

NEW YORK STOCK EXCHANGE PRICES

1996/97 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
32	24⅞	AAR x	0.48	1.9	21	1564	25⅝	25	25⅛	-½
46⅛	33	AMP x	1.04	2.7	28	5180	39⅝	38½	39⅛	+⅛
97½	39	AMR			6	5784	83	81⅛	21⅞	-⅞
50½	33¼	ASA x	1.20	3.3	24	1020	27¼	36¼	36⅝	-⅛
60⅛	38⅛	AbbotL	0.96	1.7	24	6698	58½	58½	57⅞	-⅛
17½	12¼	Abitibi Pr	0.40	2.5	8	1675	16⅝	16¼	16¼	-⅛
20¼	13½	ABM Ind	0.40	2.1	17	103	18⅞	18¾	18⅛	-⅛
22½	13⅞	Acpincola			16	332	21⅛	20¾	21⅛	+⅛
65¾	37¾	ACE Ltd	0.72	1.1	16	634	65	64⅝	64⅞	
16⅝	9⅛	ACM Gvt In	0.90	8.6	11	169	d10⅝	10½	10½	
7⅞	6⅝	ACM GvOpp	0.63	8.4		325	7⅝	7½	7½	
9⅞	0⅞	ACM Man	0.90	9.4		350	9⅛	9½	9⅝	
13⅞	6⅛	Acme Elect				221	7⅛	6½	6⅝	-½
21⅜	13⅞	Acme Mills			72	15	16⅝	16⅝	16⅝	
33¾	27⅛	Acordia x	0.80	2.5	18	218	32¼	31¾	32⅛	
28¾	12	Acuson				1044	39	28⅝	28⅝	-¼
21⅛	17⅞	Adams Expr x	0.56	2.0	1	799	21	20⅞	20⅞	
39⅞	10¼	AdvMic				9349	u36⅞	35¾	36⅛	-½
15	8½	Advest Grp			10	127	14⅝	14	14¼	-¼
26⅛	6⅛	Advo Inc			20	18	13⅛	12⅞	13	
67⅞	41⅛	Aegon	1.16	1.0	10	321	u68¼	67½	67½	+⅛
6¾	3½	Aerflx				192	4¼	4⅛	4⅛	-⅛
67⅝	40⅝	AES Corp				30	66½	66⅝	66⅜	-⅛
89	57⅞	Aetna	0.80	1.0	61	6173	85½	83⅛	83⅝	-1⅞
44	28¼	Aflac x	0.40	1.8	15	2680	41¾	40¾	41⅛	-¼
22	17⅛	AGL Res x	1.08	5.5	14	577	19⅞	19⅜	19½	-⅜

Continued on next page

NYSE PRICES

4 pm close February 26

Continued from previous page

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1996/97 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Price	Chng Prev. Close
47⅞	38¼	Xtra Corp x	0.80	2.0	15	334	41⅛	40⅝	40⅝	-½
25¾	20⅝	Yankee Egy	1.30	5.6	13	67	23½	23	23¼	-⅜
57	43¼	York Int	0.36	9.8	13	3202	46	45⅝	46	+¼
5	3	Zapata				808	u5	4⅞	5	+⅛
25¾	5⅞	ZenthE				1516	10⅝	10¼	10⅞	+⅛
26⅞	21¾	Zenith Nat	1.00	3.6	12	94	27⅛	35⅜	35⅝	
7⅞	6½	Zenix Inc x	0.73	10.1		73	u7⅜	7¼	1¼	-⅛
23¾	15⅛	Zero x	0.12	0.5	17	106	22⅝	22	22	-⅛
29	16½	Zero Ind	0.40	1.8	15	112	25⅞	25½	25⅝	-¼
11⅝	10½	ZweigFd ♣	1.13	10.1		123	11¼	11⅛	11¼	-⅛
8	8	Zweig Tot x	0.84	10.0		552	8½	8⅜	8⅜	-⅛

Price data supplied by Extel, part of FT information

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. ss-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

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AMEX PRICES

4 pm close February 26

NASDAQ NATIONAL MARKET

4 pm close February 26

EASDAQ

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Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
Activcard	US$8.125		32500	8.5	8	Innogenetics	US$11.375		11900	12.875	10.125
Artwork Systems	US$10.75	+0.125	25968	11.375	8.375	Mercer Interntnl.	US$10.25	-0.125	0	11.375	10.375
Dr Solomon's ADS	US$25	-0.25	0	26.125	18.625	Pixtech	US$5.5		9	6.25	4.75

Prices for 26/2/97.

Information about EASDAQ can be found on the Web site at: HTTP://WWW.EASDAQ.be
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US shares slide on interest rate fears

AMERICAS

Fears of an interest rate increase, sparked by testimony from Mr Alan Greenspan, the chairman of the Federal Reserve, sent the US equity market sbarply lower, *writes Lisa Bransten in New York.*

Especially troublesome for the market were Mr Greenspan's remarks about tbe possibility of a pre-emptive increase in interest rates and his comment that "caution seems especially warranted with regard to the sharp rise in equity prices during the past two years".

The Dow Jones industrial Average slid 101.59 just as Mr Greenspan'e Humphrey-Hawkins testimony was released. Tbe Dow leter bounced off those lows, but in early afternoon it had begun falling again.

At 1pm the blue chip index was off 89.27 at 6,948.94 and the Standard & Poor's 500 had lost 9.74 at 802.36. NYSE volume was 333m shares.

Mr Greenspan'e comments also hit tbe hond markat, sanding the yield on the bencb mark 30-year Treasury up 10 basis points to 6.75 per cent.

Intereet-rate eensitive banks were mostly lower. JP Morgan, which is a component of the Dow, lost $1⅝ et $107⅝. Chase Manhattan shed $2⅜ at $103⅜ and Citicorp dropped $2¼ to $121½.

The Dow derived some support from a $2⅛ rise in Philip Morris to $135⅛ after the tobacco and food company announced a stock split and plans to buy back an additional $8bn worth of its sbares.

Technology shares outperformed other sectors, largely on the back of an strong earnings report from Dell Computer. The Nasdaq composite was 8.72 weaker at 1,338.97 and the Pacific Stock Exchange technology index shed 0.6 per cent.

Dell Compnter, which reported quarterly earnings of $1.01 per share, 18 cents ahead of estimates after the market closed on Tuesday, added $1⅞ at $74. That led other computer makers higher: Gateway 2000 added 1\frac{3}{16}$ at 62\frac{7}{16}$ and Compaq Computer climhed $1⅝ at $81¼.

TORONTO moved ebarply lower in line witb Wall Street in volume described by dealers as fairly beavy. Almost 8m sbares were traded in the first 15 minutes after the opening bell. At noon, the TSE-300 composite index was off 34.78 et 6,213.00. High-tech stocks led the market lower. Northern Telecom retreated C$1.65 to C$99.35.

MEXICO CITY fell hack from recent record highs, following Wall Street lower in early trading. "All eyes are on the Dow, hut it still feels strong out there. There has been selling, but not beavy eelling," said ooe hroker. At midsession, the IPC index was off 37.32 at 3,901.37.

SAO PAULO was tbe worat hit Latin American market, sliding lower to unwind some of the strong gains built up by this week's telecoms privatisation rally. At midsession, the Bovespa index was 1,655 or 1.8 per cent lower at 89,836.

SANTIAGO continued to rise on bopes for lower interest rates. The IPSA index was 0.37 higher at 118.80 at midsession.

South Africa industrials under pressure

A bad day for industrials hut further gains for golds left Johanneshurg little changed after a seseion marked by heavy volume. The all share index closed up 2.9 at 7,205.7.

Gold shares came off the top towards the close of trading but managed to end with the index up 4.9 at 1,543.4.

Continued heavy selling of Sasol following Tuesday's disappointing results sent the shares down R1.50 to R50 for a two-day decline of more than 9 per cent. At the close, the industrial index was off 46.7 at 8,378.8.

South African Breweries lost R2.50 to R138. De Beers gained R2.50 to R158.5.

Zurich back to record-setting ways

EUROPE

Leading bourses held their breath wben Mr Alan Greenspan began his annual Humphrey-Hawkins address. Wall Street went juddering lower, but in the event there was a muted reaction in Europe.

ZURICH returned to its record-setting ways with the spotlight on UBS, Novartis and the first day of trading of the Ciba Specialty Chemicals rights. The SMI index closed up 35.8 at an all-time high of 4,539.7 after 4,566.0.

Novartis, traded ex-rights in Ciba Speciality Chemicals, finished SFr17 higber at 1,718; Tuesday's closing price was adjusted down SFr79 for the rights.

The Ciba rights were quoted at SFr98.05 after an opening SFr100 and a high of SFr105. This was eharply above the rights bid floor price of SFr64, announced hy the spin-off syndicate on Tuesday night.

Against the trend, SMH, the Swatch maker, tumbled SFr69 to SFr866 as lower than expected 1996 results prompted a round of profit-taking.

PARIS ended modestly lower after sharp swings in Renault and another etrong day for leading retailers. The CAC 40 index closed off 5.55 at 2,602.17.

Renault fell sharply at the outset after a French press report pointed to the possibility of a loss of up to FFr5bn for the motor giant for 1996. But by the end of a busy session, the sbares were Fr59 or 2.4 per cent higher at FFr123.9 in 1.2m traded.

Pinault-Printemps cootinued to rise on persistent merger talk and oews of upbeat household consumption figures for January. The stock added FFr59 or 2.5 per cent to FFr2,450. Promodes, a rival retail group, gained FFr20 to FFr1,680.

Carrefour, a strong market lately, eased FFr77 to FFr3,481 following annual earnings in line with broker estimates. Elf Aquitaine's results also matched brokers' expectations, and the shares added FFr5 to FFr547.

Paribas gained 50 centimes to FFr395 ahead of today's results statement. AGF, stroog oo Tuesday following takeover talk, eased FFr2.50 to FFr219.5 oo reports of a disposal.

FRANKFURT stood firm against the opening swings on Wall Street to edge higber in quiet trade. Henkel, up more than 5 per cent, led the way with Schering close behind. The Dax index closed 11.68 higher at an Ibis-indicated 3,245.02.

Schering hit DM155 before closing up DM6.80 at DM158 on speculation that Japan was set to open np its contraceptive market to foreign companies plus upbeat news on sales from the company. Henkel gained DM4.50 to DM90.

Volkswagen continued to slip after Tuesday's slightly disappointing results. A number of brokers reiterated buy recommendations, but the stock still came off DM6.50 to DM791.5. Daimler-Benz was also a dull spot, losing DM1.90 to DM120.75.

Continental gained 98 pfg to DM32.93 on talk the group had developed a new production machine.

AMSTERDAM managed to cling to the npside. There were a number of strong results stories and solid buying of selected internationals. At the close, tha AEX index was up 0.32 at 750.51.

Unilever roee Fl 5.60 to Fl 375.50 following a strong buy recommendation from Morgan Stanley, and Philips moved higher in active two-way trading. The shares added Fl 1.20 to Fl 85.30 in 6.3m traded. Akzo Nobel gained Fl 4.90 to Fl 283.

Strong results and news of a share split belped lift Hagemeyer by Fl 2.60 to Fl 165.50. But the hest results-driven performance of the day came from Gist-Brocades, up Fl 3.00 or 5 per cent to Fl 62.20.

MILAN succumbed to weakness in the bonds and derivatives markets, and political uncertainty. The Comit index fell 11.42 to 762.09 while the real-time Mibtel index finisbed 241 down at 12,083.

Most banks were under pressure. BCI tumbled L171 to L3,500, largely in a correction after its recent steep gains. San Paolo lost 247 to L11,943 on profit-taking after tha gains seen in the wake of results and its strategic alliance with Dexia.

Against the trend, Credito Bergamasco jumped L812 to L25,662 on reports that Credit Lyonnais, which holds e controlling stake, would need to sell all its interests outside France in return for the approval of a rescue package.

STOCKHOLM featured a SKr7 fall to SKr275 in Pharmacia & Upjohn after the company released higher 1996 earnings but said that it might not meet its goal of a 25 per cent operating profit margin by 1998. The general index edged back 3.44 from Tuesdey's record high to close at 2,663.16.

OSLO saw a 14 per cent plunge in Aker Maritime, the offshore services company, as its announcement of a 70 per cent rise in 1996 profits before tax was accompanied by a warning from the deputy managing director, Mr Tor Bergstroem, that the company would have to work bard to live up to market expectations this year.

The total index dropped 14.55 to 1,087.61.

BRUSSELS pushed further into record territory and as an early closing market had little time to react to Wall Street. The Bel-20 index added 7.13 to 2,145.43 hut in lower than average turnover of BFr2.6bn.

HELSINKI was also at a peak, with the Hex index up 26.21 at 2,929.25, but off an intraday 2,931.44.

ATHENS continued its hull run, adding another 3.3 per cent and prompting the capital market commission to warn investors to avoid rumour-based investment decisions. The general index settled at 1,453.60, up 45.95.

Written and edited by Michael Morgan and Jeffrey Brown

FTSE Actuaries Share Indices

Feb 26							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	2147.33	2148.15	2148.97	2150.94	2151.58	2153.25	2154.46	2152.00
FTSE Eurotrack 200	2189.88	2190.12	2190.77	2191.63	2192.83	2193.04	2195.43	2191.03

	Feb 25	Feb 24	Feb 21	Feb 20	Feb 19
FTSE Eurotrack 100	2150.66	2135.35	2142.72	2148.05	2160.24
FTSE Eurotrack 200	2190.15	2173.55	2176.44	2184.39	2197.11

Base value 1000 (26/10/90); Highday: 100 - 2158.54; 200 - 2196.61 Lowday: 100 - 2146.44 200 - 2178.12. † Partial.

Emerging markets: IFC weekly investable price indices

Market	No. of stocks	Dollar terms: February 21 1996	Dollar terms: % Change over week	Dollar terms: % Change on Dec '96	Local currency terms: February 21 1996	Local currency terms: % Change over week	Local currency terms: % Change on Dec '96
Latin America	(249)	630.84	+0.8	+17.3			
Argentina	(30)	1,069.25	+1.5	+12.6	655,742.00	+1.5	+12.5
Brazil	(68)	481.66	−0.6	+21.5	1,892.46	−0.5	+22.8
Chile	(45)	716.14	+0.4	+15.8	1,193.28	+0.2	+13.2
Colombia[1]	(14)	757.12	+3.6	+19.6	1,438.71	+3.4	+27.5
Mexico	(64)	618.02	+1.9	+16.7	2,087.08	+1.6	+15.0
Peru[2]	(19)	219.24	+1.8	+11.4	352.14	+1.8	+12.7
Venezuela[3]	(9)	756.36	+1.5	+3.9	8,196.26	+1.3	+2.8
Asia	(711)	268.16	+1.1	+8.1			
China[4]	(27)	69.98	−1.3	−6.1	73.27	−1.3	−6.1
South Korea[5]	(156)	79.23	−4.1	+2.6	89.25	−6.1	+4.0
Philippines	(42)	300.31	−1.8	+2.8	382.15	−1.8	+2.4
Taiwan, China[6]	(90)	165.13	+1.8	+7.7	171.10	+2.0	+8.1
India[7]	(79)	86.18	−2.1	+8.4	109.78	−2.3	+9.5
Indonesia[8]	(49)	135.51	−2.0	+6.2	175.78	−1.7	+7.3
Malaysia	(146)	362.87	+1.9	+7.8	331.93	+1.7	+5.8
Pakistan[9]	(28)	270.59	+8.9	+38.2	494.32	+8.9	+38.3
Sri Lanka[10]	(5)	100.03	+2.3	+5.2	125.56	+1.9	+6.7
Thailand	(87)	196.69	+7.3	−10.3	204.59	+6.6	−9.2
Euro/Mid East	(305)	160.34	+1.3	+19.4			
Czech Rep	(7)	79.87	+3.2	+13.8	75.65	+4.1	+19.1
Egypt	(16)	115.34	+5.6	-	115.14	+5.7	-
Greece	(54)	320.63	+7.5	+32.3	572.05	+7.4	+41.3
Hungary[11]	(12)	245.80	+0.5	+24.9	515.56	+0.6	+34.7
Jordan	(7)	191.21	−0.6	+2.4	285.36	−0.7	+2.3
Morocco	(5)	104.87	+2.0	-	107.26	+2.2	-
Poland[12]	(30)	870.40	−0.4	+18.9	1,668.56	+0.1	+26.5
Portugal	(28)	161.56	−0.7	+10.8	187.69	−1.0	+20.4
Russia	(15)	117.59	+3.8	-	118.59	+4.1	-
Slovakia	(5)	111.22	+4.2	-	113.06	+3.9	-
South Africa[13]	(63)	235.34	−0.0	+12.8	217.81	+1.5	+8.1
Turkey[14]	(56)	228.85	+4.4	+53.9	13,064.97	+5.1	+71.4
Zimbabwe[15]	(5)	600.33	+15.2	+26.8	982.69	+16.0	+30.2
Composite	(1265)	331.88	+1.0	+12.5			

Indices are calculated at end-week; weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.

One of the fastest moving stock markets in Asia this year, Taipei has taken a knock over the past two days on a combination of poor electronics data and official moves to quell investor enthusiasm, *writes Jeffrey Brown.*

Taipei's main weighted index hit a six-year peak on Monday to extend its rise since the start of the year to close on 13 per cent. Economic expansion has been the driving force, with December industrial production in Taiwan up 6.1 per cent.

The rate of expansion in the key electronics sectors has been even more rapid with industry output bouncing off its low points of a year ago. For 1996 as a whole, electronics production rose almost 14 per cent.

Against this background of rapid economic development, foreign investors have not been slow to move into the stock market. However, sentiment took a dive yesterday.

Political uncertainty in China, a big fall for electronics export orders in January and growing signs that the government is determined to rein back some of the recent share prices excess all combined to sent the market into reverse.

The main weighted index fell 156.87 or almost 2 per cent to 7,730.49. "It looks as if a number of chickens bave begun to come home to roost," said one hroker. Observers expect the Taipei market to make further progress, but a note of cantion has entered most hroker calculations.

One leading London fund manager recently cut its weigbting for Taipei from "positive" to "neutral" on a 12-month view.

Jakarta pushes up 1.6% to all-time high

ASIA PACIFIC

Sustained demand across the board pushed JAKARTA to a record high as foreign buyers re-entered a market previously dominated by domestic investors. The composite index rose 11.30 or 1.6 per cent to 712.61, breaking its previous hest of 710.43 recorded on February 14.

Local investors were, however, still active buyers of shares rumoured to be the subject of rights issues, takeovers and acquisitions.

Bank Umum Nasional jumped Rp300 to Rp2,150 on speculation thet it would acquire a stake in Bank Perniagaan.

TOKYO reversed early gains to slip back below the 19,000 point level, *writes Bethan Hutton.*

Nikkei futures rose overnight in Chicago, whicb gave tba market a jump start, but tha momentum petered out after the Nikkei 225 average had climbed about 60 points to the day's high of 19,216.51, and a wave of profit-taking took over.

The Nikkei bounced back from an afternoon low of 18,894.89 to end the day down 79.15 points at 18,990.92, while the Topix index of all first-section shares slid 9.17 to 1,416.20. The capital-weighted Nikkei 300 index lost 1.91 points to 271.64.

In Londoo, the ISE/Nikkei 50 index fell 0.86 to 1,446.46.

Matsushita Electric Industrial, the core company of the consumer electronics group, gained slightly after yesterday's strong tbird quarter results, but eothusiasm was muted by the company's anoouncement of a Y100m loan write-off to a finance subsidiary.

According to Ms Masami Fujino, a senior analyst at Jardine Fleming in Tokyo, there are worries that there could be more loan write-offs to come, as well as possible pension liabilities. Matsushita added Y10 to Y1,870.

Kyotaru, the takeaway sushi chain which filed for bankruptcy last month in the wake of a food poisoning epidemic, etrengthened on rumours that the food manufecturer, Katokichi, might step in to support it. Kyotaru closed Y15 higher at Y57.

Green Cross and Yoshitomi Pharmaceutical continued to slide after Monday's announcement of tbeir planned merger. Green Cross fell another Y22 to Y498, and Yoshitomi hit a 12 month low of Y794, down Y28.

Overall, losers outnumbered gainers by 647 to 440, with 167 issues unchanged. Volume also declined, to an estimated 383m ehares, from Tuesday's 424m. In Osaka, the OSE dropped 45.68 to 19,691.07 in volume of 116.96m shares.

MANILA eaw heavy demand for speculative issues which continued to soar, while blue chips turned down after two days of advances. The main index ended 13.26 weaker at 3,349.82.

Mining and property issues were at the centre of attention. Ebecom Holdings soared 32.9 per cent to 93 centavos while ATN Holdings leaped 21.9 per cent to 9.75 centavos.

SYDNEY ran into profit-taking with many investors apprehensive about how the US market would respond to Mr Alan Greenspan's Humphrey-Hawkins testimony to the senate. The All Ordinaries index lost 17.7 to 2,483.1 in turnover of A$1.1bn.

Analysts said that union wage bargaining figures, showing an annualised rise of 4.4 per cent in the December quarter, were treated as positive for the market, but that firmer bonds offered no support for stocks.

HONG KONG was off its highs as the main index ran into resistance and as another record-setting rally hy HSBC Holdings lost steam.

The Hang Seng index finisbed 21.57 bigber et 13,541.83, off a high of 13,610.43. Turnover picked up to HK$10.3bn.

HSBC rallied to another intra-day record high of HK$195.50 before closing steady at HK$193.50. Hang Seng Bank fell 25 cents to HK$91.50 after HK$92.50.

KUALA LUMPUR'e early gains evaporated in the second half of the day as investors took profits after tbe market's bullish streak.

Tbe composite index turned back from a peak at 1,278.94 to close 6.20 weaker at 1,265.37.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY FEBRUARY 25 1997: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY FEBRUARY 24 1997: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (76)	223.93	0.3	203.15	172.68	195.09	191.70	0.6	3.97	223.26	202.64	172.14	193.80	190.59	224.61	188.44	196.22
Austria (24)	185.59	0.3	168.37	143.12	161.69	161.64	0.7	1.80	184.98	167.88	142.61	160.56	180.49	195.04	174.70	189.67
Belgium (26)	236.54	1.1	214.59	182.41	206.08	201.83	1.4	3.21	234.07	212.45	180.47	203.16	199.04	236.54	203.64	211.27
Brazil (28)	242.07	2.1	219.60	186.67	210.90	468.12	2.1	1.30	237.13	215.22	182.83	205.84	458.39	242.07	147.48	164.74
Canada (114)	201.82	0.1	183.09	155.63	175.83	198.89	0.1	1.85	201.55	182.93	155.40	174.96	198.75	203.24	153.61	154.51
Denmark (32)	369.32	−0.2	335.04	284.80	321.76	321.17	0.2	1.37	370.08	335.90	285.34	321.25	320.65	376.09	291.30	304.21
Finland (26)	262.52	1.6	238.16	202.44	228.71	274.99	1.7	1.69	258.28	234.42	199.14	224.20	270.36	262.79	174.47	187.99
France (91)	221.34	1.2	200.80	170.69	192.84	196.26	1.5	2.48	218.81	198.60	168.71	189.94	193.43	222.08	183.87	189.17
Germany (59)	195.60	1.1	177.44	150.83	170.41	170.41	1.4	1.51	193.50	175.63	149.19	167.97	167.97	198.14	164.47	173.35
Hong Kong (59)	492.86	0.7	446.94	379.91	429.22	489.86	0.6	3.17	489.49	444.28	377.41	424.91	486.73	514.49	402.53	443.06
Indonesia (27)	246.30	0.8	223.44	189.93	214.58	360.97	0.7	1.48	244.35	221.78	188.40	212.11	358.56	–	–	–
Ireland (16)	343.35	0.7	311.49	264.77	299.14	304.60	0.6	3.09	340.81	309.42	262.85	295.93	302.34	343.35	255.16	259.84
Italy (58)	90.31	−0.1	81.93	69.64	78.68	112.45	0.6	1.87	90.37	82.02	69.68	78.45	111.79	96.32	70.51	74.79
Japan (480)	118.22	0.2	106.15	91.93	103.86	91.93	0.2	0.85	119.00	108.01	91.75	103.30	91.75	164.68	109.16	150.73
Malaysia (107)	660.65	0.8	599.51	509.61	575.74	631.37	0.7	0.99	656.85	596.16	506.44	570.16	627.00	660.65	512.47	325.27
Mexico (27)	1445.88	1.1	1311.51	1114.83	1259.51	12256.20	1.2	0.90	1429.59	1297.65	1102.24	1240.96	12111.22	1445.68	1046.55	1146.97
Netherland (19)	354.05	1.8	321.19	273.02	308.45	304.49	2.1	2.47	347.83	315.70	268.18	301.94	298.09	354.05	274.35	282.13
New Zealand (14)	87.83	−0.8	79.68	67.73	76.52	66.93	−0.7	4.22	88.50	80.32	68.23	76.82	67.38	95.60	75.94	81.23
Norway (41)	316.36	−0.1	287.02	243.97	275.64	285.63	0.1	2.07	316.55	287.31	244.07	274.78	285.20	321.23	234.67	242.89
Philippines (22)	207.89	1.0	188.59	160.31	181.12	272.86	1.0	0.63	205.89	186.87	158.74	178.72	270.26	–	–	–
Singapore (43)	427.79	0.2	388.09	329.69	372.70	280.74	0.4	0.96	427.11	387.66	329.31	370.75	279.75	456.05	371.26	456.05
South Africa (44)	370.12	0.2	336.77	285.42	322.45	357.77	0.6	2.33	367.35	333.42	283.23	318.85	355.73	422.69	301.49	397.52
Spain (36)	211.10	0.2	191.51	162.79	183.62	226.93	0.7	2.77	210.57	191.12	162.35	182.76	225.43	228.16	161.95	175.13
Sweden (50)	437.08	0.5	396.51	337.05	380.79	460.06	1.2	2.12	435.02	394.84	335.41	377.62	474.41	437.08	325.59	338.14
Switzerland (35)	250.58	0.3	227.34	193.24	218.32	227.21	0.9	1.20	249.71	226.65	192.53	216.78	225.10	254.34	229.38	233.98
Thailand (46)	84.70	−0.1	76.84	65.32	73.80	85.11	−0.3	4.80	84.80	76.96	65.38	73.60	85.36	187.79	75.48	181.25
United Kingdom (212)	284.47	0.4	258.07	219.36	247.83	258.07	0.3	3.74	283.35	257.18	218.47	245.96	257.18	284.47	224.39	232.87
USA (654)	329.90	0.3	299.26	254.40	287.42	329.90	0.3	1.81	329.01	298.62	253.67	285.80	329.01	331.54	254.79	293.06
Americas (823)	302.18	0.3	274.12	233.01	263.25	254.15	0.3	1.80	301.27	273.45	232.29	261.52	253.43	303.45	233.09	245.29
Europe (726)	245.79	0.7	222.98	189.54	214.14	224.95	0.9	2.65	244.13	221.58	188.23	211.92	222.86	245.79	201.66	208.25
Nordic (151)	379.82	0.5	344.39	292.74	330.73	360.57	1.0	1.97	377.82	342.92	291.30	327.96	357.03	379.82	282.52	293.45
Pacific Basin (873)	140.54	0.3	127.50	108.38	122.44	107.51	0.3	1.34	140.18	127.23	108.08	121.69	107.18	177.01	131.50	164.26
Euro-Pacific (1599)	184.38	0.5	167.27	142.18	160.64	151.87	0.7	2.07	183.48	166.53	141.46	159.27	150.88	191.51	175.40	181.67
North America (768)	322.13	0.3	292.24	248.41	280.63	321.24	0.3	1.81	321.28	291.61	247.71	278.89	320.40	323.69	248.65	292.01
Europe Ex. UK (514)	219.72	0.8	199.32	169.43	191.42	202.40	1.3	2.03	217.87	197.75	167.98	189.12	199.84	219.72	183.38	187.07
Pacific Ex. Japan (393)	316.56	0.5	288.98	245.65	277.53	278.27	0.6	2.69	317.11	287.82	244.50	275.27	274.74	320.65	258.97	269.11
World Ex. US (1612)	186.35	0.5	170.67	145.24	164.09	158.20	0.8	2.05	187.40	170.10	144.49	162.68	157.19	193.47	177.71	183.12
World Ex. UK (2254)	228.59	0.4	207.38	176.28	199.15	202.41	0.5	1.74	227.69	206.66	175.56	197.65	201.44	228.59	199.52	207.47
World Ex. Japan (1986)	291.77	0.4	264.69	225.00	254.20	280.52	0.4	2.14	290.51	263.68	223.99	252.18	279.05	291.77	233.10	242.17
The World Index (2466)	233.38	0.4	211.72	179.97	203.33	207.54	0.5	1.64	232.48	210.99	179.23	201.79	206.57	233.38	202.32	209.73

CONSTITUENT CHANGE WITH EFFECT 27/2/97: Deletion: Stadshypotek 'A' (Sweden). Latest prices were unavailable for this edition.